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1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK

3 WORLDQUANT, LLC,

4 Plaintiff,

5 v.

16 Civ. 9298 (DAB)

6 MATTHEW OBER,

7 Defendant.

8 -----x
9 New York, N.Y.
10 December 14, 2016
11 10:05 a.m.

12 Before:

13 HON. DEBORAH A. BATTS,

14 District Judge

15 APPEARANCES

16 PULLMAN & COMLEY, LLC

Attorneys for plaintiff

17 BY: JOSHUA A. HAWKS-LADDS, Esq.

JAMES T. SHEARIN, Esq.

18 SUSMAN GODFREY, LLP (NYC)

Attorneys for defendant

19 BY: JACOB W. BUCHDAHL, Esq.

20 LUCAS ESTLUND ISSACHAROFF, Esq.

21 Also Present: Jeffrey Blomberg
22 WorldQuant, LLC
23
24
25

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(Hearing resumed; in open court)

THE COURT: WorldQuant v. Matthew Ober. Plaintiffs ready?

MR. HAWKS-LADDS: Yes, your Honor.

THE COURT: We have Mr. Hawks-Ladds, Mr. Ronan.

MR. SHEARIN: Good morning, your Honor. Mr. Ronan can't be here today. My name is James Shearin, and I have an appearance in the file. Thank you.

THE COURT: You look like you shouldn't be here either.

MR. SHEARIN: I've been told that, your Honor. Thank you.

THE COURT: Welcome.

And Mr. Blomberg.

MR. BLOMBERG: Yes, Blomberg.

THE COURT: And on behalf of the defendants we have Mr. Buchdahl, Mr. Issacharoff. Good morning.

MR. BUCHDAHL: Good morning, your Honor.

THE COURT: All right. Now, I understand from very reliable sources -- Mr. Delaney -- that there have been additional exhibits added?

MR. HAWKS-LADDS: Yes, four new exhibits from the plaintiff, your Honor.

THE COURT: And what are their numbers?

MR. HAWKS-LADDS: They are 17, 18, 19, and 20.

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1 THE COURT: And you're moving them into evidence.

2 MR. HAWKS-LADDS: Yes.

3 THE COURT: All right. Received.

4 (Plaintiff's Exhibits 17, 18, 19, and 20 received in
5 evidence)

6 THE COURT: Any new from the defendant?

7 MR. BUCHDAHL: Your Honor, we may have some new
8 exhibits depending on what we need to do on cross, but I don't
9 have any that I need to move in now.

10 THE COURT: All right. Fine.

11 Are we ready for the witness?

12 MR. HAWKS-LADDS: Yes, your Honor.

13 Plaintiff re-calls Michael DeAddio.

14 MICHAEL DeADDIO, Resumed.

15 THE COURT: Let me remind you that you are still under
16 oath. Please be seated.

17 DIRECT EXAMINATION (Cont'd)

18 GCEAWORlps DeAddio - direct

19 BY MR. HAWKS-LADDS:

20 Q. Mr. DeAddio, do you have the exhibit books in front of you?

21 A. No, I don't.

22 MR. HAWKS-LADDS: May I approach?

23 THE COURT: Certainly.

24 MR. HAWKS-LADDS: Were you using a set?

25 THE LAW CLERK: Yes. I don't know what -- I think you

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1 all took the binders.

2 MR. HAWKS-LADDS: OK. Your Honor, I just have to
3 remove some sticky notes so that the witness doesn't see them.

4 (Pause)

5 MR. HAWKS-LADDS: These are not punched. Just put
6 them in the back.

7 Q. All right. Good morning, Mr. DeAddio.

8 (Pause)

9 THE COURT: You could respond.

10 A. Good morning.

11 Q. When we left off on Monday, we had begun discussing the
12 confidentiality of certain information. Do you recall --

13 A. Yes.

14 Q. -- where we left off?

15 A. Yes.

16 Q. Let's continue where we left off on Monday, and the
17 question is: What types of information did Mr. Ober possess
18 that WorldQuant considers confidential?

19 A. Certainly. So the vendors that we use for data, in terms
20 of those that we have reviewed and decided not to pursue, those
21 we have trialed and then decided not to pursue, those that we
22 have trialed and then struck agreements with to actually
23 on-board and use their data, and also those that we use and how
24 much money we allocate or attribute, how much profit we
25 attribute to each of the vendors.

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1 Q. OK. And what other type of information does Mr. Ober
2 possess that WorldQuant would consider to be confidential?

3 A. So the knowledge of our process, the process broadly
4 speaking goes in four big steps. The first is identifying
5 vendors, if you think of the vendors as a phone book with
6 thousands of people in there, finding the ones that we might
7 find interesting. That's the first step. The second step is
8 using initial assessment criteria to decide if it's worth
9 pursuing these vendors, to try and trial them. There are way
10 too many out there for us to trial every single one. So the
11 initial assessment step and what we consider the criteria is
12 proprietary and confidential.

13 The third step, then, is negotiating with the vendors
14 for a trial. We try to minimize the costs there, free if we
15 can get it. And then bringing the data on-board and running it
16 through our internal assessment criteria, which is quite
17 proprietary, probably one of our most proprietary parts, to
18 identify which ones we should really both purchase and spend
19 the money -- and it's not an immaterial amount of money -- and
20 also, more importantly, the resources, because it can take
21 months and in some cases years to on-board and fully analyze
22 the data sets for the ideas it can bring.

23 The last part is then the contract, structuring the
24 contract, paying for it, settling on the price, that is. And
25 then also the compliance aspects of whether or not we could use

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1 the data safely and make sure that it doesn't contain any
2 information that we're not supposed to use based on SEC and
3 other regulatory guidelines, such as personal private
4 information, material nonpublic information, quote, insider
5 information.

6 Q. And these three things that you identified -- the vendor
7 information, the data information, and the process -- Mr. Ober
8 had knowledge of all of this?

9 A. Mr. Ober had knowledge of it. And to a great extent,
10 Mr. Ober was the author and the creator of much of this.

11 Q. Take a look --

12 THE COURT: What do you mean by "author and creator"?

13 THE WITNESS: When Mr. Ober joined, four-plus years
14 ago, we had much left of this process. He joined to build this
15 process, to define the process, to streamline it. Back then we
16 probably were able to trial a couple of dozen of data sets a
17 year. Now we can trial hundreds.

18 THE COURT: You can trial?

19 THE WITNESS: We can bring them on, try them out,
20 analyze them, and see if we want to buy them.

21 THE COURT: OK.

22 THE WITNESS: Trial them, yes.

23 So his goal when he came on was -- and he was quite
24 successful in doing so -- defining the process by which we can
25 streamline this and scale it.

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1 Q. One of the new exhibits that is in front of you is no. 18.
2 Can you get that.

3 MR. HAWKS-LADDS: I'm sorry. Let me first tell
4 counsel which ones are which.

5 The one of September 30, that's 18. The smaller, with
6 the picture on it, 17. 19 as well.

7 Q. All right. Mr. DeAddio, do you have Exhibit 18 in front of
8 you?

9 A. Yes, I do.

10 Q. Please identify this exhibit for the Court.

11 A. This is an e-mail from Mr. Ober in September of 2015.

12 MR. BUCHDAHL: Your Honor, we understand this exhibit
13 is going to be received in evidence. I do want --

14 THE COURT: It has been.

15 MR. BUCHDAHL: Yes. No, I understand, and I'm not
16 objecting to its receipt in evidence. I do object, however, to
17 the fact that this was not produced to us before Mr. Ober
18 testified. This is an e-mail from Mr. Ober. This is not an
19 e-mail that this witness was even copied on. And it is being
20 introduced into evidence. So my objection is not -- is just
21 foundational and has to do with whether we have a competent
22 witness here.

23 We could have shown this to Mr. Ober on Monday. He
24 could have told you what he was saying, what he meant by it.
25 Instead, I'm handed this for the first time on Wednesday.

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1 Mr. Ober is on vacation. He's out of the state. And we have a
2 witness who is being asked about a document he did not author
3 and he did not receive. This is not a business record. And I
4 know the hearsay rules don't apply here. But I just want to
5 state at the outset that we do not have the right witness here.
6 And this was not given to us in time to even be able to show
7 Mr. Ober and ask him about. And so I just offer that objection
8 to, kind of, the procedures here, even understanding the Court
9 has every right to receive this exhibit.

10 THE COURT: OK. But --

11 MR. HAWKS-LADDS: Your Honor -- may I respond?

12 THE COURT: Please.

13 MR. HAWKS-LADDS: First, Mr. Ober is the author. And
14 this was reviewed by Mr. DeAddio, his boss.

15 THE COURT: No, no, no. Mr. Ober was on the stand on
16 Monday.

17 MR. HAWKS-LADDS: We didn't have this. We just got it
18 yesterday.

19 THE COURT: Where did you get it from?

20 MR. HAWKS-LADDS: After Mr. Ober testified on Monday
21 in a way that surprised us, we went back to look for evidence
22 that would refute the things that he said on the stand,
23 including when he said, oh, it's just downloading and uploading
24 numbers and the on-boarding is just looking at numbers. So
25 yesterday I asked my client to look through WorldQuant to see

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1 whether Mr. Ober, who was the head of strategy, said anything
2 that it's more than just uploading and on-boarding numbers.
3 And they found this document, in which Mr. Ober described the
4 entire process, in detail, of what Mr. DeAddio just discussed,
5 in detail. This is authored by him. It's a business record.
6 It's clearly a business record. It's kept in the regular
7 course of business. And it's used. And this is an admission
8 by Mr. Ober. As your Honor said on Monday, a party admission
9 is admissible. So it's an admission.

10 MR. BUCHDAHL: Again --

11 THE COURT: It's being improperly used here. If you
12 wish, Mr. Buchdahl, you can re-call next week Mr. Ober, if you
13 wish to do that. Because quite frankly, Mr. DeAddio is not the
14 best source for explaining this. If you are offering it, I
15 don't want him to explain it. The document will speak for
16 itself.

17 MR. BUCHDAHL: That's all, your Honor. That's exactly
18 what we're asking for. We don't have a problem with counsel
19 using this to argue that it undermines Mr. Ober's testimony.
20 That's all fair. But asking a witness who was neither copied
21 nor authored it, I think, to comment on it is not appropriate.
22 So counsel can use this for argument; just I don't think he
23 should question this witness about it.

24 THE COURT: So I have ruled.

25 BY MR. HAWKS-LADDS:

1 Q. Put that document aside, then, Exhibit 18. And let me ask
2 you, from your own personal knowledge, is the process of data
3 procurement and the other items you just mentioned simply
4 uploading and on-boarding numbers?

5 A. The process is extremely detailed and extremely arduous.
6 It's an expensive process both manpower- and dollar-wise. It's
7 an expensive process legally. It's an expensive process
8 compliance-wise. It has many steps: just gathering the data,
9 getting into a format that can be reviewed, understanding if
10 the data has point-in-time accuracy, understanding the quality
11 of the data. There are many, many steps to this process. And
12 myself and others in our firm are very involved in this
13 process.

14 Q. What was Mr. Ober's involvement in the process?

15 A. Mr. Ober's involvement in the process was to identify,
16 negotiate with, initially assess, bring to us and the process
17 those vendors that he wanted to propose for trial, run them
18 through the compliance process and get approval from compliance
19 in the gray areas, and then to negotiate with the vendor based
20 on our analysis as to pricing, and then to continually assess
21 vendors based on their profitability versus their cost on an
22 ongoing basis.

23 Q. What aspects of the process that you just summarized for
24 Judge Batts is proprietary and confidential?

25 A. As I said earlier, the aspects that are very proprietary,

1 the ones I would focus on, are the assessment process initially
2 and the decision to make us decide to trial them, to bring them
3 on-board, because that's when resources start to be spent, and
4 then the assessment process on how we actually assess the data
5 we bring on-board to trial before we decide to purchase it and
6 use it for our full analysis process to try and find the ideas
7 inside of it.

8 Q. And Mr. Ober had full knowledge of the proprietary process
9 that you just described?

10 A. Mr. Ober had full knowledge of it. He would not have
11 knowledge of every single little test that was run in terms of
12 detailed knowledge of every test in terms of the actual
13 underlying algorithms of every one. But he saw every single
14 output of every single test, which helped him decide, in the
15 process, whether or not we should buy the data that we trialed.

16 Q. Take a look --

17 A. He had full discretion to propose which ones we bought and
18 which ones we didn't.

19 THE COURT: Did anybody have any ability to contest
20 what he suggested?

21 THE WITNESS: Certainly. We would have conversations
22 regularly on, especially on price of the data, if we found it
23 to be valuable in the assessment process, the second-stage
24 assessment process, we would have regular debates on at what
25 price is the right price and at what price is too expensive for

1 what we think we can get out of the data. But after we bought
2 it, there was still a many-month/year process to really realize
3 the value of the data, and sometimes we bought data and it
4 turned out not to be valuable. So it's an art, not a science.

5 THE COURT: What role did he play in, after you bought
6 it, the many-month process to realize its value?

7 THE WITNESS: After we bought it, the process of the
8 many months was turned over to our own data scientists and
9 analysts, our researchers. So he played much more of a guiding
10 process, a guiding role in that.

11 THE COURT: How did he guide?

12 THE WITNESS: He guided in terms of his knowledge of
13 the data and what each field meant, and also as a bridge
14 between our researchers and the data vendors, the company
15 themselves, for questions, issues with the data, what have you.
16 We did not expose our researchers to interact with the company
17 directly, because it would just --

18 THE COURT: You mean the vendors.

19 THE WITNESS: The vendors, that's right. We would
20 have Matt and that team in the middle, the IT team, to make
21 sure we didn't overwhelm them with too many people asking too
22 many questions, so we sent him. And then he would review the
23 profitability of the data versus cost on a regular basis.

24 Q. Mr. DeAddio, take a look at what's been entered into
25 evidence as Exhibit 17.

1 MR. BUCHDAHL: Your Honor, we have the same objection
2 to the use of this document with this witness, who is neither a
3 recipient nor an author of this document, as opposed to
4 Mr. Ober.

5 MR. HAWKS-LADDS: Your Honor, Monday, defendant's
6 counsel used Third Point's general counsel to describe and talk
7 about an exhibit that we received Monday morning, never seen
8 before, that was drafted by Sheetal Sharma of Third Point. And
9 both witnesses testified extensively regarding that exhibit.
10 So we received it that morning. And it's true we gave these
11 exhibits to counsel this morning, that I received yesterday,
12 last night actually. So I'm just pointing that out. I
13 understand they're in evidence. I understand they're
14 reviewing.

15 THE COURT: Mr. Sharma is not a witness here.
16 Mr. Ober was.

17 MR. HAWKS-LADDS: I'm sorry. I didn't hear you.

18 THE COURT: The individual from Third Point that
19 you're talking about who created documents that were examined
20 by general counsel and Mr. Ober, the creator was not a witness
21 here. Mr. Ober was a witness here.

22 MR. HAWKS-LADDS: Yes, your Honor. Right.

23 THE COURT: That's the distinction that I see.

24 MR. HAWKS-LADDS: OK. All right. All right. Well, I
25 made my point. I have the same response, so whatever your

1 Honor decides, obviously.

2 THE COURT: There were four new exhibits. What about
3 the other two?

4 MR. HAWKS-LADDS: The other two were created by this
5 witness.

6 THE COURT: Oh, good. Let's get to those.

7 MR. HAWKS-LADDS: OK. And, your Honor, I'm going to
8 deal with those later. I'm only on this --

9 THE COURT: OK. I don't want to tell you how to do
10 your examination. But I just don't want to spend any more time
11 on documents that this witness has no personal knowledge of.

12 MR. HAWKS-LADDS: OK. Very well, your Honor.

13 MR. BUCHDAHL: For completeness, for the record, the
14 presentation that we put in through Mr. Targoff, Mr. Targoff
15 testified that he received it from Mr. Sharma, that he reviewed
16 it with Mr. Sharma, that he used it in kind of helping to
17 decide who to hire at Third Point, is not the same as someone
18 who is not a recipient of the document, just for clarification.

19 MR. HAWKS-LADDS: I can inquire of Mr. DeAddio whether
20 these are similar circumstances, as a voir dire.

21 THE COURT: Even if they are similar circumstances,
22 again, I had the ability to have the witness who created it
23 answer questions, and I do not have that now.

24 MR. HAWKS-LADDS: With Exhibit A, your Honor, that was
25 someone who was not ever called as a witness. That was

1 Mr. Sharma. You're right with Exhibit D --

2 THE COURT: That's what I'm saying.

3 MR. HAWKS-LADDS: OK. I'll move on.

4 BY MR. HAWKS-LADDS:

5 Q. To your knowledge, did Mr. Ober know that the process you
6 just described was confidential and proprietary to WorldQuant?

7 A. Mr. Ober was fully aware of the confidentiality and
8 proprietary nature of the process that he helped define, why it
9 made WorldQuant very competitive, why it had made us leading
10 edge in this. He was -- we discussed it regularly. We
11 discussed it when he would sit on panels, as to what was
12 appropriate to talk about and what wasn't. He was fully versed
13 by legal, by compliance, and by ourselves in terms of what was
14 able to be shared and what wasn't, on a very regular basis.

15 Q. OK. Now, because the confidentiality of the information is
16 very important for the judge to know about, you mentioned in a
17 listing format of how the vendor information -- or what vendor
18 information, rather, is confidential. One of the things you
19 mentioned was that certain vendor information is valuable. Can
20 you explain what vendor information is valuable and
21 confidential and proprietary, to WorldQuant.

22 A. Sure. So, as I said earlier, the fact that the -- I think
23 I recall the exhibit from before where Mr. Ober had outlined a
24 whole bunch of vendors that he had experience with.

25 Q. That's Exhibit D, I believe.

1 A. Right. 40 of the 41 vendors that he noted in the e-mail he
2 sent when he was interviewing are vendors we have, either we
3 have reviewed, trialed, or -- and/or used.

4 Q. Can you get out Exhibit D, so that I can follow along.

5 A. Certainly.

6 Q. And the judge, more importantly, the judge.

7 A. So on page 2 of Exhibit D, in response to question no. 1,
8 Mr. Ober lists 41 data vendors, all of which are, no doubt,
9 public, publicly known to sell data; that is correct. However,
10 there are thousands of data vendors in the world, thousands.
11 Of these 41, 40 have been formally reviewed and/or trialed
12 and/or currently in production and being used by WorldQuant.
13 That is very hard to see being a coincidence. The fact that we
14 have formally reviewed these, trialed them and/or used them is
15 filtering the world down to a small set where our assessment
16 process, which is very proprietary, both stages, have vetted
17 and already reviewed this small number of data providers out of
18 a very large phone book of possibilities.

19 Q. So on Exhibit D, the attachment to the e-mail, which has
20 the list of those vendors, out of all of those vendors listed,
21 WorldQuant has reviewed and trialed 40 out of 41.

22 A. We have reviewed 40 out of 41. We have trialed fewer. And
23 we have less than that in production. But we have formally
24 reviewed, in the first stage of our assessment process, 40 of
25 the 41.

1 Q. So if there are thousands of possible vendors in the world
2 and these names --

3 THE COURT: Can I just ask --

4 MR. HAWKS-LADDS: Sure.

5 THE COURT: Do you know of these vendors whether there
6 is only one data set that they sell?

7 THE WITNESS: Some. I don't know of every one
8 personally. Some of I know, such as [REDACTED], have multiple
9 data sets. They are very well known and they have many. Some
10 have single data sets. Some are in between. Right. So
11 [REDACTED], no doubt would have that.

12 THE COURT: Do you know who on this list have single
13 data sets?

14 THE WITNESS: That, your Honor, I could not tell you
15 offhand, but more than one. [REDACTED] has a data set. I know
16 of that one because they're a portfolio company. And some of
17 the other ones -- depends how you define it, but there are more
18 than one that have a single data set and more than one that
19 have multiple.

20 THE COURT: Thank you.

21 Q. So why is the vendor information confidential and valuable
22 to WorldQuant?

23 A. The value is, as I said earlier, in the assessment process,
24 the fact that we have culled the universe of thousands of data
25 providers down to a small set that we deemed acceptable to even

1 trial is very valuable information because that is the output
2 of a many-person team over many man-years of effort.

3 Q. And, again, this was Mr. Ober's job to cull the thousands
4 of vendors, potential vendors, to this small set.

5 A. That was his job, absolutely.

6 Q. You said it took years to process this information from the
7 macro thousands of vendors to the limited set that you will
8 trial and review?

9 MR. BUCHDAHL: I'm going to object to the leading,
10 your Honor.

11 THE COURT: Yes, that's a good one. Sustained. Don't
12 answer it. Ask him. He is on direct examination. I'm hoping
13 and understand that he knows his stuff.

14 Q. How long does it take to process this vendor information
15 you just described?

16 A. Certainly. So at the first stage, it can take anywhere
17 from weeks to months to get to the OK by compliance and legal
18 to trial a data set, to even bring it on to test it for the
19 first assessment stage. That can be quick sometimes. It can
20 be complicated sometimes, usually because of compliance
21 concerns with what's inside the data.

22 Once we trial it, that's as many as several more
23 months. Again, it varies because if the data itself is easy to
24 digest, the columns and the headings and it's just dates and
25 numbers and times and it's directly linked back to a stock

1 ticker or a name of a company, then it can be shorter. If it's
2 unstructured data, then it can take longer.

3 And then the final step, when we actually decide we
4 want to purchase the data and really analyze it with our
5 analysts broadly and deeply, we've had data sets that have
6 taken up to two years to do so, such as some of our news data
7 sets. It's a very long process, months to years.

8 Q. What is the cost of the process that you just described?

9 A. So the cost starts with time spent, obviously. The big
10 costs start to become evident when we trial a data set. We
11 engage software developers to bring the data on and make it
12 into a format that we can actually test it. Then we engage
13 initial analysts, researchers, who are tasked with the initial
14 assessment phase to run it through all of our internal tests to
15 say, is this worth buying, and if so, how valuable do we think
16 it is.

17 That, then, if we decide to buy it, the real cost
18 comes in, because we obviously then purchase the data sets.
19 The payment to the vendors themselves can be anywhere from tens
20 of thousands to hundreds of thousands to even millions of
21 dollars. And then the time spent by our researchers, which can
22 be man-years on a data sets, man-months to man-years, really
23 begins. So this cost for some data sets is easily in the tens
24 of thousands to millions of dollars, depending on the depth and
25 the complexity of the data set.

1 Q. When WorldQuant contracts with a vendor to buy from it the
2 data sets, does it have any security or secrecy protocols that
3 it includes in that contract or in that process?

4 A. I can't speak for every one of our contracts, but I would
5 say that certainly our contracts that are within the last
6 several years all have provisions where vendors are not allowed
7 to, without our permission, note that we are a client. We must
8 give our permission to do so.

9 Q. Why?

10 A. Because it's proprietary which data sets we use and which
11 ones we contract for. We don't want our vendors using our name
12 in any way to market their product.

13 Q. Well, how could WorldQuant be hurt if that information was
14 publicized?

15 A. I would call this the fast-follower effect. If every
16 vendor we bought was in mid -- initially or immediately put on
17 our website that WorldQuant then bought it, that would then be
18 an indicator to the rest of the market that they should go buy
19 it too, if you consider us successful in what we do.

20 Q. Other than provisions that WorldQuant puts in its vendor
21 contracts, what other steps does WorldQuant take to protect the
22 secrecy of its confidential and/or proprietary information?

23 A. Certainly. So very few people at WorldQuant have access to
24 the overall list of vendors that we use. It's limited to our
25 executive committee. It's limited to our global research

1 directors, of which there are a handful. And then it's limited
2 to the developers, the software developers, who must have
3 access to all the data sets to be able to operate on them and
4 run the process. Everyone else, our researchers, our
5 portfolios managers, the rest of WorldQuant only has access to
6 the data sets that they are assigned to do research on or work
7 on, or that they must operate on for some other reason.

8 Q. Turn to Exhibit 1 in the plaintiff's exhibit book. Do you
9 know what this document is?

10 A. This is Matt's initial employment agreement, Matt Ober,
11 Mr. Ober's initial employment agreement.

12 Q. And is there anything contained within that agreement that
13 serves to protect WorldQuant's confidential or proprietary
14 information?

15 A. There are confidentiality clauses in here and other
16 restrictive covenants to that effect.

17 Q. Turn to page 5 of Exhibit 1.

18 A. Yes.

19 Q. Do you see that on page 5 of Exhibit 1 there is a section
20 entitled "Confidential Information"?

21 A. Yes.

22 Q. Is that what you just described to the Court?

23 A. Yes, it is.

24 MR. HAWKS-LADDS: Your Honor, this is in evidence. So
25 I won't have the witness publish it, but it's clear here that

1 there is a robust confidential-information provision on pages 5
2 into 6 of Mr. Ober's employment agreement.

3 Q. Does WorldQuant take any other steps to protect the secrecy
4 of its confidential and proprietary information?

5 A. We take, on a regular basis, we remind people in our
6 compliance review process that this is -- that they are under
7 these confidential-information restrictions, and we do it as
8 well with anybody who speaks publicly on panels or in any other
9 way. It's a regular reminder before each one of these, which
10 Mr. Ober has spoken on many, and who was very well trained from
11 compliance and our own legal.

12 Q. So you have training on this as well.

13 A. We have training on this, and Mr. Ober was one of the most
14 trained people at the firm.

15 Q. Turn to Exhibit 7. Do you recognize that document?

16 A. Yes. This is our -- the WorldQuant employee handbook.

17 Q. Turn to page 33 of that handbook.

18 A. Yes.

19 Q. What's on the bottom of that page?

20 A. Confidentiality clause in our handbook.

21 Q. So is this another method that WorldQuant uses to let
22 employees know what it deems to be confidential?

23 A. Yes, it is. And this would be the part that we remind
24 people when they speak publicly about specifically.

25 MR. HAWKS-LADDS: Your Honor, again, each of the

1 handbooks are in evidence. I'm not going to go through each of
2 them with this witness unless you want me to. And Mr. Ober --

3 THE COURT: No, no, no. You seem to shift the burden
4 to me. Are you suggesting that you expect me to read every
5 page of every exhibit that you have put in here, before I make
6 a ruling, because, quite frankly, I'm going to throw out stuff
7 that hasn't been referred to. What is the purpose of me
8 reading three 30-page documents?

9 MR. HAWKS-LADDS: Your Honor, I do not want you to
10 read three 30-page documents, only the confidentiality
11 provisions at pages 33 through 36 of the handbooks that
12 Mr. Ober testified to on cross-examination. I was just going
13 to say, Mr. Ober already testified on Monday that he was
14 familiar with this policy and each of the handbooks, and in
15 evidence are the acknowledgment forms that he signed, that he
16 admitted he signed, and he admitted that he had read these
17 policies and was familiar with them and understood them. I was
18 only pointing that out to the Court. But I will point out each
19 one for you, your Honor. So Exhibit 7, the policy is on page
20 33 through 36. And then the rest of the handbook can be
21 ignored by the Court. I'm only offering the handbook for that
22 one policy.

23 THE COURT: What about the other policy?

24 MR. HAWKS-LADDS: The other policy, your Honor, is in
25 Exhibit 8. And that is on page 34 through 37. And, again,

1 this was already discussed with Mr. Ober, and it's in evidence.
2 The rest of the handbook can be ignored. I'm only offering the
3 handbook for the confidentiality provision, to demonstrate that
4 WorldQuant maintained and protected the secrecy of its
5 confidential information through these methods. And I'll move
6 on.

7 THE COURT: Thank you.

8 MR. HAWKS-LADDS: I would just also point out that
9 there is another handbook on Exhibit 9, which is the most
10 recent handbook. And that, the only policy I'd like the Court
11 to be aware of is, again, the confidentiality and policy that's
12 on page 33, and it goes through 37 again.

13 And, your Honor, as we went over on Monday, Mr. Ober's
14 acknowledgment that he signed of those, there are two of them,
15 that's Exhibit 10 and Exhibit 11.

16 THE COURT: Thank you.

17 MR. HAWKS-LADDS: You're welcome.

18 BY MR. HAWKS-LADDS:

19 Q. What process does WorldQuant use to determine the price of
20 the data sets that it purchases?

21 A. So, as I said earlier, after we run our assessment, initial
22 assessment on the trial data -- we've brought it in, we've made
23 it in a form that can be pulled in by our initial assessment
24 team, we've run those assessments, and they give us essentially
25 a scorecard of how valuable we think this data is, how

1 predictive can it be, across what set of stocks, in what
2 region, how good are the predictions. Now, it's an initial
3 assessment. So it gives us a set of information to work with.
4 And then also and how correlated this would be to our other
5 data sets, does it add value over all. And there's a
6 discussion, there's much discretion applied, from a human
7 perspective, many discussions around at what price would we be
8 willing, at what maximum price would we be willing to buy this
9 data and bring it on-board and really try and use it. And we
10 go with a maximum price because there is a negotiation to be
11 had with the vendor and one needs to know the maximum price
12 before you engage.

13 THE COURT: Can I just ask on that point --

14 THE WITNESS: Certainly.

15 THE COURT: Does the vendor, when it turns the data
16 set over to you initially, give you a ballpark figure of how
17 much they're going to charge, or are you the one that comes up
18 with the figure of how much you're going to pay?

19 THE WITNESS: It varies, your Honor. Most vendors, I
20 would say, have a list price for the data, sort of like a list
21 price for the car. It tends to usually be way -- well in
22 excess of what we actually pay for it. It's very negotiable.
23 And we negotiate very frequently off that list price. So the
24 list price is a guidepost. I would say it's rare that,
25 certainly, we pay it.

1 THE COURT: Thank you.

2 Q. Is the price in a WorldQuant pays confidential and
3 proprietary?

4 A. The price is very confidential, especially because the
5 vendors themselves, in some cases, don't want other clients to
6 know what we pay, because we do get discounts.

7 THE COURT: But is it confidential to you?

8 THE WITNESS: It's confidential internally as well.
9 It's under the same provisions that only the handful of people
10 can see it. The vast majority of the firm has very little idea
11 of what we pay for data.

12 Q. Now I want to return to Exhibit D, the attachment to
13 Mr. Ober's e-mail. Let me know when you have that in front of
14 you.

15 A. Yes.

16 Q. This listing here that Mr. Ober provided to Third Point has
17 names of vendors and then data sets. Right?

18 A. The types of data sets.

19 Q. Types of data sets. Is there any value to making the data
20 sets more user friendly in this fashion?

21 A. There's a lot of --

22 MR. BUCHDAHL: Objection, your Honor.

23 THE COURT: Yes. I'm not sure I understand what the
24 question is.

25 Q. Is there any value to the data sets being listed in the way

1 that Mr. Ober listed them?

2 A. For the data sets that have multiple -- for the vendors
3 that have multiple types of data sets listing the category by
4 vendor name as value, because it lets you assess which of the
5 data sets WorldQuant finds the most valuable. [REDACTED] would
6 be an example. I think I mentioned this on Monday. So where
7 there are multiple data-set vendors, this is valuable, the
8 categorization.

9 Q. Do you have any problem with the fact that Mr. Ober
10 released this information to Third Point?

11 MR. BUCHDAHL: Objection, your Honor, irrelevant.

12 THE COURT: Yes. Let's just deal with the issue
13 before me, please.

14 Q. Why would releasing the information listed in Exhibit D to
15 Third Point harm WorldQuant?

16 A. The culling, or sort of filtering process to get to 40
17 names, from thousands, represents a tremendous amount of money,
18 effort, and time. It would take someone else starting from
19 scratch to get to the same 40 names. That represents a
20 tremendous competitive advantage to someone receiving this
21 information, because they do not have to go through that same
22 arduous, lengthy, extensive process to filter the universe down
23 to a handful.

24 Q. How does that hurt WorldQuant?

25 A. If you don't have to spend the time or the money or the

1 energy to get to the 40 that are the most interesting, you can
2 get them, get them on-board and negotiate with them much, much
3 faster, and turn a process that took us years into a process
4 that could take months.

5 Q. So Third Point would gain some sort of advantage in this
6 way?

7 A. I would say this is a significant competitive advantage if
8 you have this list and you know it's already been preprocessed
9 by someone who's been doing this for a long time, yes.

10 Q. Do you know Third Point, what Third Point's business is?

11 A. I have a much better understanding now, yes.

12 Q. How do you know what Third Point's business is?

13 A. We've done a lot of, a lot of research on Third Point, what
14 they do, in response to this, this case.

15 Q. What is Third Point's business?

16 A. Third Point is an equity hedge fund. They are typically
17 activists. They start off, I would say, very fundamental. And
18 by "fundamental," my definition is, having worked at a
19 fundamental equity hedge fund personally, very deep research on
20 individual companies, looking at company filings, talking to
21 management, developing and --

22 MR. BUCHDAHL: Your Honor, I'm going to object. We
23 heard the foundation for this, "I've done a lot of research on
24 Third Point." But this witness is not competent to testify
25 about Third Point's business. We had the chief operating

1 officer here from Third Point. Any questions he had about
2 Third Point's business should have been directed to that
3 witness.

4 MR. HAWKS-LADDS: Mr. Targoff, the general counsel,
5 did testify that they were a fundamental investment advisor and
6 now also moving to quantamental. But this witness's knowledge
7 of Third Point's business is very important in relation to what
8 Mr. Ober testified this witness said when Ober told him he was
9 going to Third Point. So his knowledge of what Third Point's
10 business is is very important based on Mr. Ober's testimony,
11 when he said, I told Mr. DeAddio where I was going. He didn't
12 say anything about efforts. He didn't complain about efforts.
13 So his knowledge about Third Point and how it evolved is
14 important to refute Mr. Ober's testimony.

15 MR. BUCHDAHL: If all the purpose here is for
16 Mr. DeAddio to say that when I told Mr. Ober Third Point was a
17 completely different business I didn't know what I was talking
18 about, fine, he can say that. But now his, the knowledge he
19 claims to have learned, we think, is irrelevant.

20 THE COURT: I agree with that. Let's deal with the
21 time frame of this alleged conversation.

22 MR. HAWKS-LADDS: OK.

23 Q. In the summer -- and let me just back up and only deal with
24 this topic. In the summer of 2016, do you know what Third
25 Point's business was?

1 A. Other than hearing the name, no.

2 Q. In September 2016, when WorldQuant gave Mr. Ober the
3 amended restrictive covenant, which is Plaintiff's Exhibit 2,
4 did you know what Third Point's business was?

5 A. No.

6 Q. On November -- on or about November 7, when Mr. Ober quit
7 his employment at WorldQuant, did you know what Third Point's
8 business was?

9 A. No additional knowledge, no.

10 Q. When did you find out what Third Point's business was?

11 A. After he told us where we were going, we then had the
12 responsibility to assess whether or not we thought it was
13 competitive, and that's when we did our research to make that
14 determination.

15 Q. Before I go a little deeper into that answer, I want to
16 focus on the time that Mr. Ober told you he was quitting and
17 going to Third Point. Did he ask you whether it was OK to go
18 to Third Point?

19 A. He said he was going to Third Point and that they didn't
20 compete with us because they were purely fundamental, and so he
21 made a statement.

22 Q. What did you say?

23 A. And I said, that sounds OK if that's the case, but we do
24 have to review it further.

25 Q. And what did you do next?

1 A. After he left, we reviewed Third Point. We did some
2 research to make a determination.

3 Q. What was that research?

4 A. Based on our research, based on reading the investor letter
5 and the rest, we made a determination that they were entering
6 our field or had entered our field of quantitative investment
7 management and it would be a competitive situation.

8 Q. Now, when you say "investor letter," are you referring to
9 Plaintiff's Exhibit 12?

10 A. (Pause) Just making sure it's the one I read.

11 Yes. That's the one I'm referring to.

12 Q. And you'll note that there are exhibits that follow Exhibit
13 12 that are web pages, which are exhibits 13, 14, 15, and 16.

14 A. Yes.

15 Q. Did you provide those to me?

16 A. Yes, I did.

17 Q. Why?

18 A. Because it was a continued -- it was additional research we
19 had done to develop the determination that we would consider
20 competitive activity.

21 Q. Now, explain to the judge what it is that you discovered
22 about Third Point after Mr. Ober told you he was going there.

23 A. That they were embarking on a transition to move their
24 fundamental investment process to be a hybrid. They call it
25 "quantamental." Not my word, but we can use it. In my view

1 it's a hybrid. They will be doing both quan -- they will be
2 adding a quantitative investment process to their original
3 fundamental investment process.

4 Q. And Mr. Ober did not tell you that.

5 A. No, he did not.

6 Q. When -- taking a look at Exhibit D, the list of vendors and
7 data sets --

8 A. Yes.

9 (Continued on next page)

1 Q. If you had known that Mr. Ober had provided that to Third
2 Point in June or July, 2016, what would your reaction have
3 been?

4 A. That he has divulged confidential information outside the
5 firm.

6 Q. What would you have done?

7 A. We would have taken action, had a discussion and determined
8 what other action to take.

9 Q. Would you have fired him?

10 A. It would have been --

11 THE COURT: You know, I think he gave two answers.
12 Are you trying to focus him in on a particular thing?

13 MR. HAWKS-LADDS: How serious the disclosure of that
14 information was and had Mr. De Addio's boss known about it, how
15 he would have responded because of Mr. Ober's divulging that
16 information to Third Point.

17 MR. BUCHDAHL: The objection, of course, is leading,
18 and I would make that objection.

19 THE COURT: Sustained.

20 BY MR. HAWKS-LADDS:

21 Q. Mr. De Addio, turn to Exhibit A. You can put away
22 plaintiff's exhibits.

23 A. Yes.

24 Q. When was the first time you saw this document?

25 A. At the end of day Monday.

1 Q. You reviewed it?

2 A. I have.

3 Q. What does this document appear to be to you?

4 A. This document seemed to be a proposal for the quantitative
5 build-out within Third Point of a data-driven quantitative
6 investment process.

7 THE COURT: Excuse me. Are you saying that you didn't
8 see this until after the testimony on Monday?

9 THE WITNESS: Your Honor, when I was in the witness
10 room sequestered, I didn't have it and I didn't have access to
11 it before, no.

12 THE COURT: You may continue.

13 BY MR. HAWKS-LADDS:

14 Q. I am not sure where you left off. You said it was a --

15 A. It looks to me in total, based on my review of it, to be a
16 proposal to build-out a full data team and quantitative
17 analysis infrastructure at Third Point.

18 Q. Do you know this?

19 This is produced in response to a subpoena of Third
20 Point. Do you know that?

21 A. I believe so, yes.

22 Q. Do you know whether Mr. Ober had this before Monday?

23 A. I do not have any information whether Mr. Ober had it or
24 not.

25 Q. Do you know whether he had this or any version of this

1 before he quit his employment?

2 A. I have no knowledge of that.

3 Q. Does Exhibit A, this document entitled, "Data Effort
4 Discussion," does it cause you any concern regarding --

5 THE COURT: No, no, wait, wait, wait. Do you know how
6 to ask an open-ended question?

7 MR. HAWKS-LADDS: Sure.

8 THE COURT: Do it.

9 BY MR. HAWKS-LADDS:

10 Q. Regarding Exhibit A, what do you think about this document?

11 THE COURT: Thank you!

12 A. As I read this document, it looks very well-written. The
13 person who wrote it -- I am actually not aware of the author, I
14 don't believe it is here. Let me just see. Whomever wrote it
15 has great knowledge of what it takes to build a data-driven
16 quantitative investment infrastructure and team.

17 It is in some ways -- actually, in most ways --
18 strikingly similar to what has been built at WorldQuant. It
19 has got an excellent amount of thought on [REDACTED]

20 [REDACTED]

21 [REDACTED]

22 [REDACTED]

23 [REDACTED]

24 [REDACTED]

25 [REDACTED]

1 [REDACTED]
2 It even goes so far as to talk about the culture
3 impacts of such a big change and that many internally will need
4 to be brought in and sort of worked with to start to trust the
5 new part of the investment process and that they would have to
6 take action to help that cultural change occur.

7 Q. Please explain to the judge what parts of the document that
8 are, as you just described, concerning.

9 A. Certainly. So if we start with Page 3.

10 Q. Let me get there.

11 A. So we start with Page 3, No. 2 at the top:

12 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]

18 Q. You just went very quickly and I didn't follow you.

19 A. Okay. So there are two ways to use data. One is we do our
20 initial fundamental analysis, and we would like some additional
21 data to help us validate what we're doing is right. We just
22 want more validation and there is more data out there. That is
23 a small augmentation.

24 What this says, and other points I will point out, is
25 that this isn't about augmenting the existing fundamental

1 process. This is about creating a parallel, an integrated
2 process from a quantitative perspective.

3 MR. BUCHDAHL: I object to this line of questioning.
4 This is argument. This document is in evidence. This witness
5 saw it for the first time two days. We didn't hear any
6 testimony about it. They're speculating what it means. There
7 is no foundation for any of it. If the attorney wants to make
8 this argument to the court, I will respond to it, but I can't
9 cross-examine him on his imaginings about this document.

10 THE COURT: Yes, this is speculation.

11 MR. HAWKS-LADDS: Your Honor, this is exactly what Mr.
12 Targoff testified to. He testified --

13 THE COURT: He was involved with preparation of the
14 document and worked with it with Third Point. He saw it Monday
15 for the first time. He was not present at any of the
16 presentations and he is taking what to him is an advantageous
17 interpretation and giving it to me, so it is not helpful.

18 MR. HAWKS-LADDS: He is a quant expert. This is his
19 business. Mr. De Addio is in the quant business. This is a
20 roadmap to quant. Your Honor, you asked on Monday for us to
21 help you understand what is going on here.

22 THE COURT: Yes, but he --

23 (Multiple voices)

24 MR. HAWKS-LADDS: You want to know, you said to us on
25 Monday -- we have it in the transcript -- you are going to have

1 to help me understand why they are competitors. That is what
2 you said.

3 THE COURT: I understand that, but can you just wait.
4 I didn't say ignore the rules of evidence in doing so. This is
5 not a document that he has seen before this lawsuit was filed.

6 MR. HAWKS-LADDS: He studied it.

7 THE COURT: Are you putting him in as expert?

8 MR. HAWKS-LADDS: I could qualify him as an expert in
9 30 seconds, 30 seconds.

10 MR. BUCHDAHL: He absolutely could not be qualified as
11 an expert on Third Point's business or Third Point's plans.

12 MR. HAWKS-LADDS: This is quant right here.

13 MR. BUCHDAHL: We heard unequivocal testimony about
14 the nature of Third Point's plans. Literally in their own
15 articles they put forth, Mr. Loeb said we are not in quant
16 work. We do want to use qualitative analysis to support our
17 research.

18 This witness is literally speculating Third Point is
19 going to change its business in a way its chief operating
20 officer said would require to disclose to investors because it
21 is entirely inconsistent with Third Point's existing business.

22 Opposing counsel is free to make argument to the court
23 about what they want you to conclude from this document, but
24 this witness is not free to take the stand and simply speculate
25 about what he imagines is going on. The extent of his research

1 prior to this document consisted of four newspaper articles all
2 using the word quantamental. The word qualitative didn't
3 appear in any of those newspaper articles.

4 Again you pointed out on Monday, your Honor, that
5 quantitative models to trade is different from quantitative
6 analysis. Those are two different things.

7 I object to this witness being asked to read a
8 document that he simply is involved in a lawsuit, he obviously
9 has a bias here, and for him to say here is what I think they
10 meant, what if there should be cross-examination Mr. Targoff,
11 is it true what you really meant here, that is how you handle
12 this, not put on your own friendly witness stand and say what
13 do you think this might be.

14 MR. HAWKS-LADDS: Your Honor, you want to hear the
15 facts.

16 THE COURT: He can't give the facts about this
17 document.

18 MR. HAWKS-LADDS: He is giving the facts how this
19 document is almost identical to WorldQuant's process and
20 WorldQuant's --

21 THE COURT: Is there a WorldQuant document in evidence
22 that I could see the comparisons so I can make a determination
23 whether this is identical, as you say?

24 MR. HAWKS-LADDS: Exhibit 18.

25 (Pause)

1 THE COURT: So what you want me to do is compare the
2 two exhibits?

3 MR. HAWKS-LADDS: Well, what I was going to do was ask
4 Mr. De Addio for what his concerns are relating to this quant
5 program, and then you will be able to compare his answers to
6 the exhibit that is in evidence, both exhibits in evidence, and
7 see how similar they are and understand his concerns.

8 MR. BUCHDAHL: It is good argument, your Honor, but
9 not appropriate for this witness.

10 MR. HAWKS-LADDS: Your Honor, you want facts, right?

11 THE COURT: Yes, I would like facts, but I don't want
12 facts that are distorted or biased or cannot stand on their
13 own. If you want to put witnesses on who could explain how
14 this functions because, quite frankly, I have to say to you, I
15 don't know that everyone agrees with your definition of
16 competitor, confidential, you know, but you proceed as you
17 think you need to, but quite frankly, I do not wish to waste
18 the parties' time or my time hearing Mr. De Addio's
19 interpretation of a document that he just saw for the first
20 time on Monday.

21 MR. HAWKS-LADDS: Okay. All right. I will move on.
22 I will point out we also saw it for the first time in this
23 courtroom on Monday, and I crossed Attorney Targoff for the
24 first time after reviewing this for 15 minutes on Monday.

25 I mentioned to the court this was hearsay, that Sharma

1 was not in the room who was the drafter, who would be the
2 person that can explain what is in this, and you allowed full
3 direct by Mr. Buchdahl on Mr. Targoff on this document.

4 THE COURT: Wasn't Mr. Targoff present for the
5 presentation of the materials here?

6 Didn't he work with him in putting this document
7 together or was put together, or once put together wasn't it
8 fully explained to him by Mr. Sharma who should know because it
9 is his document?

10 MR. HAWKS-LADDS: Sharma gave it to Targoff as part of
11 the process, and this is what Targoff testified to. Targoff is
12 COO and general counsel, and Sharma gave it to him as part of
13 developing this idea of moving to a quantitative strategy in
14 support of the fundamental strategy. That is what Targoff
15 said.

16 MR. BUCHDAHL: There has been a lot of talk about Mr.
17 Targoff as a witness. I received a subpoena with Mr. Targoff's
18 name on it. That is why he was a witness, because he was
19 subpoenaed to testify. I did not get a subpoena with Mr.
20 Sharma's name on it.

21 Now, it is not that they didn't know about Mr. Sharma.
22 Mr. De Addio sat in a room with Mr. Sharma to discuss whether
23 this would be a problem for Mr. Ober to change firms.

24 MR. HAWKS-LADDS: That is confidential.

25 MR. BUCHDAHL: The fact of that meeting is not

1 confidential. They know each other. If they wanted Mr. Sharma
2 to be here in this courtroom, Mr. Sharma would have been here.
3 They sent a subpoena for Mr. Targoff. It is that simple.

4 By the way, there is a provision in this contract for
5 the payment of attorney's fees by the party that doesn't --

6 MR. HAWKS-LADDS: This is --

7 (Multiple voices).

8 MR. HAWKS-LADDS: But it is beyond --

9 (Multiple voices).

10 MR. BUCHDAHL: If they wanted Mr. Sharma to be here
11 today, they could have subpoenaed him for today and I would
12 have produced him. They did not, so I don't want to hear that
13 the wrong witness is here or that somehow they hadn't been
14 given an opportunity to figure out what Third Point is doing.

15 I will tell you Mr. De Addio does not know.

16 BY MR. HAWKS-LADDS:

17 Q. When did you meet Mr. Sharma?

18 A. When we had a settlement conference to see if we could work
19 this out without going to court.

20 Q. Did Mr. Sharma disclose --

21 A. No, he did not.

22 Q. Did he tell you they had this plan to develop quantitative
23 training strategies at Third Point at that --

24 MR. BUCHDAHL: Objection to form. Every time he says
25 quantitative trading strategies, I challenge him to show me

1 those words in any document. It does not exist.

2 MR. HAWKS-LADDS: The speaking objections are
3 beginning to interfere with my questioning of this witness. It
4 is relevant. It goes to exactly what Mr. Buchdahl just said.
5 He didn't know Sharma. The only time they met was to discuss
6 whether or not they were going to settle, which is not
7 admissible and improper to be brought up in this courtroom.

8 THE COURT: No, no. The settlement details are
9 improper, not the fact that you appropriately tried to settle
10 before filing suit.

11 MR. HAWKS-LADDS: Well, we did and we couldn't. I'll
12 move on.

13 BY MR. HAWKS-LADDS:

14 Q. Mr. De Addio, if Third Point was to develop a quant,
15 quantitative methodologies or process for trading, how would it
16 go about doing that?

17 A. It would go about doing that, in my opinion, exactly as
18 written in this proposal.

19 Q. Now --

20 (Multiple voices)

21 THE COURT: Wait, wait. He is your witness. Do you
22 want to have him continue or do you wish to have this document
23 and put in? It is your choice.

24 THE WITNESS: I just did want to point out while it is
25 true I can only assess what I read here, it does say here as

1 well there is an existing quant effort that exists inside Third
2 Point, which not knowing what it is, is pretty direct and I
3 don't think requires much interpretation.

4 THE COURT: That is your view.

5 THE WITNESS: Yes, your Honor.

6 BY MR. HAWKS-LADDS:

7 Q. Without an opinion, just facts, to put together a quant
8 effort at a new company, explain to the judge the steps that
9 would be taken to do that.

10 THE COURT: Well, before you do that, I am not sure I
11 understand what you mean by a quant effort, that quant effort.
12 That is too vague and general. Let me ask you this:

13 Are you suggesting that any time any quantitative
14 information is used, that it is violative of Mr. Ober's
15 contract? Is that what you're saying?

16 MR. HAWKS-LADDS: No, no, your Honor.

17 THE COURT: It seems to me we sort of need to narrow
18 down what you are claiming is confidential and against what
19 restrictive covenants. Use the terms that are in those
20 restrictive covenants. That would be helpful.

21 MR. HAWKS-LADDS: Thank your Honor.

22 BY MR. HAWKS-LADDS:

23 Q. Is third point, based on the documents in evidence, using
24 quantitative models to trade or planning to --

25 MR. BUCHDAHL: Objection, your Honor.

1 THE COURT: Yes, I think that is hard. That is hard.

2 Let me put it this way: What in these documents show,
3 establish that they are going to use it, quantifying for trade?

4 BY MR. HAWKS-LADDS:

5 Q. In Exhibit A --

6 A. Yes.

7 Q. -- what aspects of it show that Third Point will be using
8 quantitative models to trade?

9 A. Setting up an infrastructure to do so, being able to digest
10 terabytes of data which they cannot do right now as stated,
11 hiring a head of data science who is able to assess, acquire
12 and even find data that is not for sale, in quotes,
13 participated.

14 [REDACTED]
15 [REDACTED]
16 [REDACTED]
17 [REDACTED]
18 [REDACTED]
19 [REDACTED]
20 [REDACTED]

21 THE COURT: Well, that is so full of your opinion, I
22 am going to pick it apart and see if I can get some help out of
23 it.

24 THE WITNESS: Certainly.

25 THE COURT: Are you saying they're going to use it to

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De Addio - direct

1 trade?

2 THE WITNESS: Your Honor, when --

3 THE COURT: No, no. That is a yes or no?

4 THE WITNESS: Of course, yes.

5 THE COURT: They're going to use it to trade, the
6 quantitative aspects of it?

7 THE WITNESS: Yes.

8 THE COURT: Use it directly to trade as you do?

9 THE WITNESS: They will use it to make trading
10 decisions, yes.

11 THE COURT: That is not --

12 THE WITNESS: That is --

13 THE COURT: -- that is not to trade?

14 THE WITNESS: Yes, it is. I am sorry, I must
15 disagree. It is. If they did not change the way they trade it
16 based on this information, if they do not make different
17 trading decisions, trade less or more, trade more frequently,
18 if they did not do that, this would have no value because the
19 only way they would monetize this investment is if they traded
20 differently. It makes no difference if the computer sets the
21 trade in and they enter it into the computer.

22 THE COURT: I don't know. One of the things I have
23 learned is it does make a difference.

24 THE WITNESS: It doesn't make a difference how it is
25 executed if they did not change it. All they do is trade stock

1 and that is how they make their profits and that is my
2 understanding of what they do and that is what a fundamental
3 hedge fund manager does.

4 If they did not change the trades they make in some
5 way, how could they possibly monetize this investment because
6 it would not change their profits at all.

7 Q. Can you give an example.

8 THE COURT: No, I don't need an example. Move on.

9 In other words, you're saying it is a waste unless you
10 do it the way we do it. That is what you're saying?

11 THE WITNESS: No, your Honor I did not say that.

12 I said it would be a waste if all this investment and
13 all this data did not change the way, the number of trades they
14 make, how they traded, how much they traded, when they traded
15 or at what price. Otherwise, they would not be making any more
16 money, and I think that they would be doing this so they could
17 make more money, and they need to change the way they trade
18 with the information to make more money.

19 That doesn't mean make it electronic, your Honor. It
20 means instead of buying a million shares today, I see better
21 data and I buy 1.2 million shares today. That is what I mean
22 by changing the number and the way they trade to monetize this.

23 Why would they spend millions and millions of dollars
24 if they weren't going to try to profit from it?

25 THE COURT: I am going to leave it at that. Mr.

1 Buchdahl, you do have your opportunity to have
2 cross-examination when direct is over. Right now we are going
3 to take a 10-minute break.

4 (Recess)

5 THE COURT: Please be seated. You may proceed.

6 MR. HAWKS-LADDS: Thank your Honor.

7 BY MR. HAWKS-LADDS:

8 Q. Mr. De Addio, turn to Page 9 in Exhibit A.

9 A. Yes.

10 Q. On the first line -- you can put it in front of you if it
11 is easier, whatever is easier to do.

12 A. Thank you.

13 Q. On the first line of Exhibit A, Page 9 --

14 A. Yes.

15 Q. -- No. 1.

16 A. Yes.

17 Q. There is a word there. Do you see that first word?

18 A. Yes.

19 THE COURT: There are several words there.

20 THE WITNESS: Yes.

21 BY MR. HAWKS-LADDS:

22 Q. The first word is what?

23 A. The first word is Millennium.

24 Q. Do you know what Millennium is?

25 A. Yes, Millennium is the parent fund that we manage money

1 for. They're a multi-strategy fund, so they do many and all
2 types of investment strategies.

3 Q. Please explain the relationship between WorldQuant and
4 Millennium for the Judge.

5 A. Certainly. Certainly Millennium provides us the capital,
6 and we are the ones that invest it for them. They provide us a
7 large amount of capital for us. So unlike Third Point, we
8 don't directly talk to investors or raise money ourselves to
9 invest. They do it for us.

10 Q. The rest of that line there on Page 9 Line 1 has other
11 names. Do you know what those other names are, Point 72, 2
12 Sigma, DE Shaw?

13 A. Yes. So I'll start with 2 Sigma and D.E. Shaw. These are
14 other large, well-known, quantitative investment managers that
15 are I think would be undisputable would be our direct
16 competitors.

17 Point 72 is now essentially a family office for Steve
18 Cohen, but it is very much like Millennium. They have multiple
19 different kinds of investment strategies. They have a very
20 large quantitative effort and very large fundamental effort
21 within their walls.

22 Q. I don't need a you to opine why they're in here. These are
23 quantitative investment firms, right?

24 A. They either are specifically quantitative investment firms
25 or have a very large quantitative investment part to them, yes.

1 Q. Now, turn to Page 4 of Exhibit A.

2 A. Yes.

3 Q. There is a line that has a small A and a parentheses next
4 to it. Do you see that?

5 A. Yes.

6 Q. It starts with systematic/quant funds?

7 A. Yes.

8 Q. Those businesses that you just listed from Page 9,
9 including Millennium, do they fall within that definition of
10 systematic/quant funds?

11 A. They do either completely or in part depending on the firm.

12 Q. The rest of that line says that these quant funds have been
13 trading on signals from large datasets for decades. Do you see
14 that?

15 A. Yes.

16 Q. Now, that is WorldQuant's business?

17 A. Yes.

18 Q. What does that mean?

19 A. That means that we analyze and come up with ideas from the
20 datasets that we have. We test them over time and then we
21 invest based on them and trade based on them.

22 Q. On that same page there is a sentence that has the small B
23 and a parenthesis. Do you see that?

24 A. Yes.

25 Q. There this document says we can choose to ignore this

1 signal, but today this would be like ignoring street research,
2 and at some stage and even today this will be akin to ignoring
3 quarterly results, right?

4 A. Yes.

5 Q. What does that mean?

6 MR. BUCHDAHL: Objection.

7 THE COURT: Yes.

8 MR. HAWKS-LADDS: I'll ask a foundational question.

9 BY MR. HAWKS-LADDS:

10 Q. Do you know what street research is?

11 A. Yes.

12 Q. Do you know what signals are?

13 A. Yes.

14 Q. What are they?

15 A. In that order?

16 Q. Either order.

17 A. Street research would be research on individual companies
18 or sectors that the big investment banks such as Goldman Sachs,
19 JP Morgan provide to hedge funds to assist in their investment
20 analysis process. That is street research.

21 Signals are the investment ideas that come from the
22 datasets that one can also trade on. They are two different
23 types of inputs into the investment process.

24 Q. What are quarterly results?

25 A. Every company -- I'll stick with the U.S. -- every company

1 in the United States as a public, a public company you can buy
2 and sell its shares on the stock market must report to its
3 investors, to the public results every quarter on profitability
4 and a whole bunch of other metrics. These quarterly results
5 drive the stock price in terms of whether they meet or exceed
6 or don't exceed them very materially.

7 They are very important for all investment processes,
8 fundamental and quantitative.

9 Q. What was the name of the fundamental investment advisory
10 firm you worked at?

11 A. Elm Ridge Capital.

12 Q. Did Elm Ridge Capital use street research and quarterly
13 results in order to make investment decisions?

14 A. Yes, extensively.

15 Q. Based on your knowledge and experience, do fundamental
16 advisers use street research and quarterly results to make
17 investment decisions?

18 A. Yes, extensively.

19 Q. Do fundamental investment advisor firms use signals as
20 well?

21 A. Typically, no, not in my experience, not from large
22 back-tested datasets as discussed.

23 Q. So in this page, Third Point said that ignoring this signal
24 would be like ignoring the fundamentals. Is that right?

25 MR. BUCHDAHL: Objection, your Honor. The document

1 speaks for itself.

2 THE COURT: Yes. Sustained. Don't answer it.

3 BY MR. HAWKS-LADDS:

4 Q. If a fundamental firm is now going to use signals to trade
5 or make investment decisions, how would it go about using those
6 signals?

7 MR. BUCHDAHL: Objection, your Honor; calls for
8 speculation.

9 MR. HAWKS-LADDS: He has the experience. He just
10 testified he worked in the fundamental investment advisory
11 capacity for Elm Ridge Capital. He knows that line of work and
12 he knows the signals and quants work as well.

13 THE COURT: But does that mean he can put the two
14 together?

15 MR. HAWKS-LADDS: Let's find out.

16 THE COURT: No, because it doesn't necessarily mean
17 that that is what the defendant here is going to do.

18 MR. HAWKS-LADDS: But counsel can cross-examine on
19 that. I think, Judge, you want to hear because this is key,
20 this is key. If Third Point is going to use signals, you need
21 to know that. You need to know that.

22 MR. BUCHDAHL: Your Honor, we couldn't agree more, and
23 Mr. Targoff was the proper witness to talk about what Third
24 Point was going to do, not this witness.

25 MR. HAWKS-LADDS: I can't remember exactly my

1 question.

2 THE COURT: That is all right. We can have it read
3 back.

4 MR. HAWKS-LADDS: Thank your Honor.

5 THE COURT: I'll do it.

6 "If a fundamental firm is now going to use signals to
7 trade or make investment decisions, how would it go about using
8 those signals?"

9 That is your question?

10 MR. HAWKS-LADDS: Yes, your Honor.

11 THE COURT: And you object?

12 MR. BUCHDAHL: Yes.

13 THE COURT: I agree with your objection, but you know
14 something? You do have cross-examination, so you may answer
15 that question.

16 THE WITNESS: In my experience, what one would do is
17 to identify datasets.

18 THE COURT: Let me ask you this.

19 THE WITNESS: Yes.

20 THE COURT: Working in a fundamental investment firm,
21 did they ever decide to go into using signals while you were
22 there?

23 THE WITNESS: At my firm, no, we did not.

24 THE COURT: Do you know of any that has?

25 THE WITNESS: First-hand, from being inside?

1 THE COURT: First-hand, do you know of any that have
2 done that, have used signals in their fundamental investment?

3 THE WITNESS: Having worked at -- I have not worked at
4 any that have done that. I see much in the press they are
5 doing that, but I have not worked at one that has done that.

6 THE COURT: Then I will take your testimony with that
7 information. You may continue.

8 MR. HAWKS-LADDS: You said you will take the
9 testimony -- I didn't hear what your Honor said?

10 THE COURT: Yes, he may testify.

11 BY MR. HAWKS-LADDS:

12 Q. You can now answer that original question.

13 A. In my experience, having worked at several quantitative
14 investment managers and having worked at a fundamental equity
15 manager, if the fundamental equity manager would want to start
16 to use signals as the quantitative firms do, you would build an
17 infrastructure, identify the datasets that would be most
18 valuable to you, hire computer programmers and/or data
19 scientists to set up a storage infrastructure because this data
20 is expansive and takes a long time to load and store, and then
21 begin to analyze that data and see how it would impact and
22 affect your investment decisions to make better ones or to
23 generate different ideas from the data itself.

24 So it would start very much with an infrastructure
25 that, as it says here, most fundamental investment managers do

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1 not have such an infrastructure to begin doing that.

2 BY MR. HAWKS-LADDS:

3 Q. And that entity would have to hire, you said. Is that
4 right?

5 A. Would have to hire people to find the data, digest and
6 store the data, manage that storage and then analyze the data.

7 Q. Someone like Mr. Ober?

8 A. Mr. Ober would obviously be a very good candidate for the
9 person to oversee and acquire the data, yes.

10 Q. Turn to Page 5 of Exhibit A. I want your opinion. I want
11 you to read Point 1 B.

12 A. Page 5, 1 B, so leadership -- so [REDACTED]

13 [REDACTED]

14 [REDACTED]

15 [REDACTED]

16 Q. What does [REDACTED] mean from the
17 quantitative investment advisory role?

18 MR. BUCHDAHL: Objection, your Honor.

19 THE COURT: Yes, sustained.

20 MR. BUCHDAHL: It is irrelevant.

21 BY MR. HAWKS-LADDS:

22 Q. C, under leadership, discusses [REDACTED]

23 [REDACTED] Is that what you referenced in your
24 answer a few minutes ago?

25 A. That would be something I would say a fundamental manager

1 would have to do, in my experience, to begin using quantitative
2 signals and ideas, yes.

3 Q. Down on that page under 2 F, where it says [REDACTED]
4 [REDACTED]
5 [REDACTED]
6 [REDACTED]

7 A. Some of the most interesting and valuable data to feed into
8 the quantitative process is data from companies that do a
9 different business and don't know yet that the data they
10 acquire in doing that business is valuable for investment
11 purposes.

12 For example, credit card companies, now they know,
13 they've now figured out they can monetize their data and sell
14 it, but a while ago they did not.

15 Another example would be companies that have, let's
16 say, great data on traffic, on how many cars are on the road.
17 It could be an indicator for the auto industry stock prices in
18 the future. These companies don't know their data is sellable
19 yet, and we strive to find those companies and educate them
20 that their data could be another revenue source that could be
21 sold.

22 Q. Based on your experience, how would that data that is "not
23 for sale" assist the fundamental investment advisory shop?

24 A. For the same reasons. It could be very interesting data
25 that could augment their initial ideas, validate them or add to

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1 them.

2 Q. Why would that be helpful to the fundamental investment
3 advisor?

4 A. Simply more data for validating data that they didn't have
5 in existence before adds to their thesis.

6 Q. Turn to the next page, please. Page 6 under C, and then
7 there is another -- it is E, sorry, hard to read I C and then
8 E, it says web scraping. What is web scraping?

9 A. So one can from vendors, vendors that sell data or have
10 data not for sale, one can acquire that data, they can buy it.

11 Web scraping means that one can automatically scrape
12 pages from internet, the internet sites of many companies or
13 vendors, it's data that is freely available, and if you scrape
14 it and put it into a database and develop that technology, you
15 can essentially create your own datasets that are proprietary
16 and no one else has that would give you a significant
17 competitive advantage because they're not purchasable or at all
18 and only accessible to those who build the infrastructure to do
19 so. Those can be very valuable datasets and it is extremely
20 proprietary because it is not for sale anywhere.

21 Q. Does WorldQuant do that?

22 A. We have an extensive effort to do this that was led by Mr.
23 Ober.

24 Q. Matthew Ober led that effort at WorldQuant?

25 A. He did.

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1 Q. And it is proprietary?

2 A. Extremely. It is not for sale to anyone else.

3 Q. Turn to Page 7. You answered a question that I posed a few
4 minutes ago about creating an infrastructure and team. Does
5 this slide look like what you described earlier?

6 A. This is a good assessment of what one would have to do,
7 yes, and is along the lines of what I noted, yes.

8 Q. To create a quantitative trading strategy?

9 MR. BUCHDAHL: Objection, your Honor.

10 THE COURT: Yes.

11 MR. BUCHDAHL: Leading and misleading.

12 THE COURT: Yes, sustained. Don't answer it.

13 Move on.

14 BY MR. HAWKS-LADDS:

15 Q. Turn to the next page, Page 8. This one is entitled
16 initial roll-out path with time frames of month 1 through 3, 2
17 through 6 and 6 through 12. The last line, the last section, 6
18 through 12, the first bullet says, [REDACTED]

19 [REDACTED]

20 What does [REDACTED] mean in the quantitative
21 of WorldQuant?

22 MR. BUCHDAHL: Objection, your Honor.

23 MR. HAWKS-LADDS: It is highly relevant. Obviously,
24 this witness knows both fundamental and quantitative.

25 THE COURT: It is not obvious he knows both, okay?

1 You're telling me he knows both.

2 MR. HAWKS-LADDS: I thought his testimony was that his
3 experience was in both; and, therefore, he can give a good, for
4 the court, a good comparison to both how the quantitative world
5 works, how the fundamental world works and now this
6 quantamental new venture works. So [REDACTED]
7 [REDACTED] this witness is uniquely experienced to
8 explain what that means.

9 MR. BUCHDAHL: Your Honor, Mr. Targoff would have been
10 the perfect witness to ask what did Third Point mean when it
11 says [REDACTED] -- I cannot believe that they
12 did not take advantage of the opportunity to try to explore
13 what some of these things meant with the entity that created
14 it, but to have this witness guess does not advance the ball.

15 MR. HAWKS-LADDS: He was a hostile witness. I only
16 crossed Mr. Targoff. I didn't know what he was going to say.
17 He was general counsel. I couldn't ask him questions that
18 were -- it was cross-examination, your Honor.

19 Mr. Sharma, on the other hand, would have been able to
20 answer that question.

21 THE COURT: You know, look, coulda, woulda, shoulda.
22 I can read the document. I don't know that Mr. De Addio's
23 interpretation is particularly helpful. That is his
24 interpretation of what Third Point meant when it wrote this.

25 BY MR. HAWKS-LADDS:

1 Q. Turn to Page 12 of Exhibit A.

2 A. Yes.

3 Q. What is this information on Page 12?

4 A. A list of data vendors by data type.

5 Q. How does this information compare to what Mr. Ober provided
6 to Third Point on July 1, 2016?

7 A. I believe all of the names he provided are here, and then
8 there are 30 more on this slide than those names.

9 Q. So the 41 vendors and the datasets Mr. Ober provided to
10 Third Point in July 2016 appear in this proposal?

11 A. Yes, they do.

12 Q. (Pause) Why is WorldQuant concerned with Mr. Ober going to
13 work for Third Point during the next year?

14 A. At the moment Mr. Ober has current and extremely up-to-date
15 information on the vendors and datasets that are most
16 profitable for us, that are most valuable from an idea
17 generation perspective and also knows the datasets that are not
18 valuable and would be a waste of time and effort to pursue from
19 an idea generation and investment perspective.

20 That information will decay over time. Once he is no
21 longer at WorldQuant, it will evolve. It evolves slower than a
22 year, but it does evolve. Having the most current information
23 at present and sharing that information short-circuits a
24 tremendous amount of effort, energy and expense that we have
25 gone through to arrive at this set of vendors that do provide

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1 the maximum value, profits and idea generation.

2 Q. So if Mr. Ober were allowed to become employed at Third
3 Point in the next year, what damage could be done to WorldQuant
4 if that were to occur?

5 A. One what I would be concerned about is that he would
6 divulge our top 20 datasets that are the most profitable. I
7 can say that the datasets on the exhibit earlier with the 41
8 contributed hundreds of millions of dollars in profits this
9 year alone.

10 Q. To WorldQuant?

11 A. To WorldQuant. That knowledge, being able to cull the
12 universe and come down to the top 20 that were provided the
13 most value right away without having to go through the culling
14 process would be very detrimental because it would allow Third
15 Point, with their resources, to quickly short-circuit that
16 process, bring them on and change their investment process to
17 reflect that data and trade much more like us.

18 Q. Okay. The Judge on Monday asked some questions about the
19 last thing you just raised about how Ober could go to Third
20 Point and whatever trading decisions would impact WorldQuant,
21 how those trading decisions could be changed and how they would
22 impact WorldQuant.

23 Explain to the judge how the trading decisions that
24 are influenced by Ober's bringing this data set, vendor quant
25 package there could impact WorldQuant.

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1 A. Certainly. So it is unfortunately a very complicated
2 world, so I will try to make it, try and not use industry
3 jargon.

4 THE COURT: If you use it, explain what it means.

5 THE WITNESS: I will, your Honor. I will try not to
6 because it can very quickly digress.

7 At the moment, assuming that they are not employing
8 these datasets or any type of quantitative analysis,
9 quantamental or otherwise, then it would be correct to assume
10 that their trading, their investments, the trades they make
11 every day which are hundreds of millions of dollars a day, and
12 our trading which is hundreds of millions of dollars a day,
13 impact each other in a way that Matthew Ober has nothing to do
14 with and it is what it is.

15 We're using different investment processes, we're not
16 correlated, we are not trading the same, and it is as it should
17 be. The competition is there.

18 If Matthew Ober goes to Third Point with full
19 knowledge of our top 10 or 20 revenue producing datasets and
20 lets them know that, and they go after those first without the
21 process of culling or filtering and they generate ideas from
22 those datasets, they get very similar ideas to ours and they
23 will then be trading in a correlative way to ours, and that
24 will reduce the capacity of our profitability.

25 It is not different than more than one miner finding a

1 vein of gold in a mine, there is less for everybody because
2 they are limited. These ideas that come from these datasets
3 have limited capacity. The more people who access those
4 datasets and find those ideas, the less profitability there is
5 for everybody. This is why trading ideas decay.

6 There is something called crowdedness. Even in the
7 fundamental market which says that if all the fundamental
8 managers have the same idea, the profitability of that idea
9 goes to zero because if everyone believes, for example, Google
10 stock price will be at 20 in a week, it goes to 20 today
11 because everyone believes it.

12 It is no different with datasets. There is limited
13 capacity. Overuse of them, if too many people have the same
14 idea, then that idea for profitable perspective decays to zero,
15 which is why both of our firms on a regular basis must continue
16 to find new ideas because the old ideas, eventually everybody
17 figures them out, be they fundamental or quantitative or a
18 hybrid.

19 So if you are starting to trade with the same ideas on
20 the same datasets, very quickly you're getting an unfair
21 competitive advantage to know the top 10 or 20 datasets that
22 are the most profitable to us tomorrow, not a year or two from
23 now. That will damage us because they have limited capacity
24 for profitability.

25 Third Point is a very smart, very sophisticated

1 investor with a tremendous amount of capacity to spend and
2 invest, and I have nothing but the greatest respect for them,
3 and they will figure this out and that will be damage to us.
4 All I ask or we ask is that we have the time for that knowledge
5 to decay so that they don't get a current, immediate
6 competitive advantage.

7 THE COURT: Time is money?

8 THE WITNESS: In every way, your Honor, in every way.

9 BY MR. HAWKS-LADDS:

10 Q. Turn to Exhibit 19.

11 A. Yes.

12 Q. You have it?

13 A. Yes, I do.

14 Q. Can you identify this document.

15 A. Yes. I put this together as a way to give an example.

16 Q. What is the example?

17 A. So if I may -- your Honor, do you have it?

18 THE COURT: I've got it.

19 THE WITNESS: I just wanted to give an example of how
20 quantitative signals could help and be merged into a
21 fundamental process, in my opinion.

22 MR. BUCHDAHL: Your Honor, this really is expert
23 testimony. This does not go to the question of contracts.
24 This does not go to the question of trade secrets. This is
25 pure --

1 MR. HAWKS-LADDS: This is demonstrative evidence of
2 what the witness just testified a moment ago, what he just
3 described to you about how WorldQuant will get hurt by not
4 allowing the information that Mr. Ober will provide to Third
5 Point to decay over time is demonstrated if Mr. De Addio is
6 permitted to testify to this by this document, so it is
7 demonstrative.

8 Secondly, we I have gone around and around about Mr.
9 De Addio being an expert. You heard him testify over the
10 course of two days now. I think your Honor realizes, I am --

11 THE COURT: Thank you. Don't bother.

12 MR. HAWKS-LADDS: I won't. You have seen Mr. De Addio
13 does have an expertise in this field starting in the
14 fundamental field and now being the chief operating officer of
15 a very large quantitative hedge fund.

16 THE COURT: I think that is bolstering your witness,
17 but go ahead, use this document, ask him about it, have him
18 explain it and then Mr. Buchdahl will do cross-examination.

19 BY MR. HAWKS-LADDS:

20 Q. Please explain the document to Judge Batts.

21 A. Certainly. So let me then describe this simply in support
22 of what I said earlier about how ideas have limited capacity.

23 If someone, anyone believes that a stock starting --
24 and these are months in the month of January are priced at
25 \$10.00, and I truly believe after my analysis, whatever I do,

1 in a year's worth of time it will be worth 20. I buy it at 10
2 now. In a year's time, it is 20. I make a hundred percent
3 return, that is phenomenal and that will be great. If the
4 green line, the stock every month went up nice and smooth,
5 people get their statements at the end of the month, my
6 investment is going up a few percent every month. That would
7 be great, make everyone feel really well.

8 However, with the green line, if everybody knew today
9 and believed the same thing, the stock would be worth 20 in a
10 year, that profit would be gone because you couldn't buy much
11 of it at 10 because it will all be gone. Everybody will say
12 they think it is worth 20. They will bid-up the price, and
13 that profit would be gone if everybody had the same idea and
14 believed the same thing.

15 That is how ideas have very limited capacity. If it
16 takes time for people to come up with that idea, and you get to
17 it first, you make the most money.

18 (Continued on next page)
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25

1 Q. Give the judge a real concrete example of an idea that
2 impacts profitability like on this Exhibit 19.

3 A. Sure. So you could have a belief, let's use Facebook as an
4 example, that when it first came out, people didn't think they
5 could make money.

6 MR. BUCHDAHL: Objection, your Honor. WorldQuant does
7 not invest in Facebook. They don't do that.

8 THE WITNESS: Yes, we do.

9 MR. BUCHDAHL: How big is your --

10 MR. HAWKS-LADDS: They do, your Honor.

11 THE WITNESS: We do.

12 THE COURT: Thank you.

13 A. So my point here is simply that ideas have limited
14 capacity, and timing is extremely important in terms of when
15 you make -- when you formulate your idea, when you trade it,
16 and how long it takes for that to come to fruition.

17 I will leave the redline off so we avoid further
18 objections.

19 THE COURT: Oh, no, I'm interested in the redline.

20 THE WITNESS: OK. So, as we said, it would be great
21 if my thesis was very nice and smooth and everyone got their
22 results every month and it always was positive. However, that
23 is not the way the world works. The redline shows that there
24 is variability. The price goes up and down. It eventually
25 arrives at that \$20, so the person -- or for anyone to have

1 that idea was right. However, the redline, for most of us,
2 would make us lose a lot of sleep, if you get statements at the
3 end of the month that your thousand dollars is now worth 800.
4 So that bumpiness in the process is what every manager, be it
5 fundamental or quantitative, wants to smooth out, to make
6 people not lose sleep at night.

7 By taking --

8 THE COURT: I think you're simplifying it beyond
9 belief, but -- I mean, come on. I mean --

10 THE WITNESS: Any other question I would be happy to
11 answer, why you think it's simplification. I'm happy to go
12 deeper or leave it be.

13 MR. HAWKS-LADDS: Judge, we want you to understand
14 this. So if Mr. DeAddio can provide facts that will assist the
15 Court --

16 THE COURT: These are not facts. This graph is not
17 based on anything that actually happened. OK. It is a
18 hypothetical.

19 THE WITNESS: It is a hypothetical.

20 MR. HAWKS-LADDS: But it's based on actual happenings.
21 I disagree with your Honor. He was going to --
22 Q. Give your Facebook example, so you can explain to the judge
23 exactly how the price can --

24 A. Simply that. The volatility, the bumpiness in this, is
25 what all investment managers try to moderate, by trading around

1 it, because this is an uncomfortable way to show your investors
2 returns, even if you're right in the end. And the quantitative
3 approach, with more data, will help you smooth out this redline
4 so it more closely approximates a smoother path to where you
5 need to get to. That's called hedging. That's what all
6 managers do, be they fundamental or quantitative. And more
7 data helps that. And the more data makes people trade the same
8 way, which reduces the opportunity set, the more of them do it.
9 That was simply my point. And simply an example to show that
10 time is money, and that opportunity and ideas is limited.

11 Q. Turn to our last exhibit, Exhibit 20. Now, I ask you to
12 take an exhibit that --

13 THE COURT: Jerry, I'm not getting this.

14 (Pause)

15 MR. BUCHDAHL: Your Honor, may we take a five-minute
16 break while they're trying to resolve this?

17 THE COURT: You can take a break, yes, as long as it
18 takes to resolve this. Yes. I should have said that.

19 You can step down.

20 (Pause)

21 THE COURT: Sorry for the interruption, counsel.

22 MR. HAWKS-LADDS: Are we ready, your Honor?

23 THE COURT: Yes.

24 MR. HAWKS-LADDS: Thank you.

25 BY MR. HAWKS-LADDS:

1 Q. Mr. DeAddio, find Exhibit 20, which is not punched in the
2 binder. It's loose.

3 A. Yes.

4 Q. Did I ask you yesterday to take a look at Defendant's
5 Exhibit I and modify it based on your expected testimony?

6 A. Yes.

7 Q. Explain to the judge what Exhibit 20 is.

8 A. I believe this was an exhibit to compare WorldQuant's
9 business and investment process to Third Point's.

10 Q. Originally. And then how did you modify it?

11 A. So I modified it based on our understanding and our belief,
12 is that on the first -- a little background -- the first row
13 was quantitative versus fundamental. Our belief and the reason
14 on our analysis we deemed this to be competitive when we
15 reviewed it and had to make a decision, based on Mr. Ober's
16 resignation as to whether we would pursue this or not, is that
17 we are quantitative and Third Point is fundamental and
18 quantitative, that we are both, next row, both investment and
19 trading firms. We both trade. We both invest our investors'
20 money. And we have horizons at both well over nanoseconds,
21 days, or even weeks.

22 Q. Do you see where it says doesn't matter in the middle of
23 the exhibit twice?

24 A. Yes.

25 Q. You wrote that?

1 A. Yes.

2 Q. Starting with the first line where it says doesn't matter,
3 computer-driven trades versus manually entered trading doesn't
4 matter. Why did you -- let me finish the question. Why did
5 you write that?

6 MR. BUCHDAHL: Objection, your Honor. This is
7 argument.

8 THE COURT: Yes, it is. But go ahead. Tell me why
9 you wrote it.

10 A. Because the actual investment ideas are what matter, not
11 the execution of the trades. That's for the last two.
12 Thousands of trades a day versus 20s or tens of trades a day,
13 that doesn't matter. What matters is the amount of money
14 traded. If you have 23 trades a day at a million shares, or a
15 million trades a day at 23 shares, it's really not the number
16 of trades that matter at all. It has nothing to do with the
17 amount of stock that's moved or the amount of dollars that are
18 moved.

19 So these distinctions, while correct in fact, don't
20 actually go to the discussion at present here, which is the
21 idea generation being co-opted and being the same data.

22 Q. Well, under computer-driven trades versus manually entered
23 trades, it's true WorldQuant uses algorithms, right?

24 A. True, yes.

25 Q. Do fundamental investment advisors use algorithms?

GCEAWOR3ps

DeAddio - cross

1 A. Not stating Third Point here, but some do.

2 Q. Does it make any difference, regarding investment strategy,
3 whether an algorithm is used?

4 A. Not in terms of how the trades are executed, which is what
5 I believe this line is saying.

6 Q. The focus is on signals, correct?

7 A. The focus is on the idea generation for the investment
8 rationale.

9 MR. HAWKS-LADDS: Just one minute, your Honor?

10 THE COURT: Mm-hmm.

11 MR. HAWKS-LADDS: Nothing further at this time, your
12 Honor.

13 THE COURT: OK.

14 CROSS EXAMINATION

15 BY MR. BUCHDAHL:

16 Q. Good afternoon, Mr. DeAddio.

17 A. Good afternoon.

18 Q. Am I saying your name properly? DeAddio?

19 A. Yes. Few do. Well done.

20 Q. Thank you.

21 So let's start with this question of whether it
22 matters that the trading is computer driven, all right. Now, I
23 want to start with the contract that WorldQuant is suing on in
24 this case. So could you please open up your defense binder to
25 Exhibit E.

1 A. Yes. I have it.

2 Q. Now, my first question for you, sir, is, did you work at
3 WorldQuant when this document was signed in May of 2011?

4 A. No, I did not.

5 Q. Have you had the opportunity to review this agreement since
6 you started at WorldQuant?

7 A. Yes, I have.

8 Q. And are you familiar with its terms?

9 A. Yes, I have.

10 Q. And are you familiar in particular with the restrictive
11 covenants on page 6 of this agreement?

12 A. Yes, I have.

13 Q. Let's look at those together, please. So you see on page 6
14 there's a section entitled "Post-Employment Covenants"?

15 A. Yes, I do.

16 Q. And you see down about six lines from the bottom of the
17 page there is a sentence that begins "for the avoidance of
18 doubt." Do you see that?

19 A. Yes, I do.

20 Q. And do you see the phrase "quantitative models to trade"?

21 A. Yes.

22 Q. That phrase is not defined in that agreement, is it?

23 A. Not to my knowledge, no.

24 Q. And after you started, you determined, meaning WorldQuant
25 determined, that it was going to change the language of its

1 restrictive covenant. Correct?

2 A. Correct.

3 Q. And ultimately, that change was memorialized in what we've
4 marked as Defense Exhibit F, a document dated September 28,
5 2016. Correct?

6 A. Yes.

7 Q. Now if you turn with me to page 2, page 2 contains the
8 definitions of "competitive activity," "competitor," but also
9 "quantitative trading and investment strategies." Do you see
10 how both -- all three of those terms are defined in the second
11 and third paragraphs of page 2 of Defense Exhibit F?

12 A. Yes, I do.

13 Q. Mr. DeAddio, did you participate in drafting this language?

14 A. I participated in the conceptual discussions on it, not the
15 language itself.

16 Q. Did you have to approve it before it was finalized?

17 A. I did review it, yes.

18 Q. Did you approve it yourself?

19 A. Yes.

20 Q. Did you feel that you understood it, sir?

21 A. Yes, I did.

22 Q. Now, you did not negotiate this language with Mr. Ober,
23 correct?

24 A. Individually?

25 Q. Individually.

1 A. I do not believe so, no.

2 Q. And Mr. Ober was not invited to propose any language
3 himself, correct?

4 A. Not to my knowledge.

5 Q. And Mr. Ober did not in fact make any proposals that were
6 accepted into this agreement?

7 A. No, he did not.

8 Q. In other words, this is entirely WorldQuant's drafting.
9 Right?

10 A. I believe so, yes.

11 Q. Now, look with me at the bottom of the third paragraph. Do
12 you see there is again a sentence that says "for the avoidance
13 of doubt"?

14 A. Yes.

15 Q. And do you see again it has that phrase "quantitative
16 models to trade"?

17 A. Yes, I do.

18 Q. But you didn't build that phrase into the definition of
19 "competitor." Instead, the phrase you used as part of the
20 definition of "competitor" was the phrase "quantitative trading
21 or investment strategies," right?

22 A. Yes.

23 Q. And this time you actually defined what you meant by that.
24 Right?

25 A. Yes.

1 Q. And if you look, part of what it says is, it's based upon
2 computer-driven processes. You see that?

3 A. Yes, I do.

4 Q. And one of your examples of how the industry refers to this
5 is "computer-driven trading," right?

6 A. One, yes.

7 Q. Now, when you wrote "doesn't matter" next to "computer
8 driven" you didn't mean it didn't matter for purposes of
9 interpreting a contract, right? You would agree with me that
10 the definition of "computer driven" is pretty important for
11 understanding this contract, right?

12 A. Um --

13 Q. I'll withdraw that question, actually. I'm sorry.

14 Now, let's look at some of the examples that
15 WorldQuant used to define "quantitative trading or investment
16 strategies." Now, one example it says is algorithmic trading.
17 Do you see that?

18 A. Yes, I do.

19 Q. And you would agree with me that for algorithmic trading,
20 you need computers. Right?

21 A. Please specify which part of the trading.

22 Q. Well, you wrote the phrase "algorithmic trading,"
23 WorldQuant did. And when WorldQuant was talking about
24 algorithmic trading, it was talking about trading done by
25 computers. Correct?

1 A. Not entirely, no.

2 Q. All right. What about when you said "computer-driven
3 trading"? That's trading by computers, correct?

4 A. You have to specify the investment-decision process versus
5 the execution of the trades. I'm sorry, but there's a
6 difference.

7 Q. Oh, I understand there's a difference. So let's go with
8 the execution of the trades. Algorithmic trading is trading
9 executed by computers, correct?

10 A. No, it's not.

11 Q. All right. Computer-driven trading is trading executed by
12 computers, correct?

13 A. No, it's not.

14 Q. Who executes the trades in computer-driven trading?

15 A. You can execute the trades by human or by computer.

16 Q. Well, let's talk about how you do it at WorldQuant. At
17 WorldQuant, the algorithmic trading is executed by computers,
18 correct?

19 A. That is correct.

20 Q. At WorldQuant --

21 A. Most of the time, that is correct.

22 Q. At WorldQuant, most of the time, the computer-driven
23 trading is executed by computers, correct?

24 A. That is correct.

25 Q. At WorldQuant the automated trading is executed by

1 computers, correct?

2 A. That's correct.

3 Q. And at WorldQuant, black box trading is executed by
4 computers, correct?

5 A. Yes.

6 Q. Now, when you defined all of these terms, you did your best
7 to try to make it clear exactly what would be a competitor and
8 what would not be a competitor. Right?

9 A. Yes.

10 Q. Now, you know that Third Point does not do any automated
11 trading. Correct?

12 MR. HAWKS-LADDS: Objection, lack of foundation.

13 THE COURT: No, I'll allow it.

14 A. I don't know that, because I don't know how Third Point
15 operates internally, as you've told me before.

16 Q. So turn with me to tab C. Tab C is an e-mail that was sent
17 by Josh Targoff to Mr. Ober at his request. Did Mr. Ober share
18 this e-mail with you when he was discussing his departure from
19 WorldQuant?

20 A. Yes, he did.

21 Q. And did you see that Mr. Targoff wrote, "Third Point does
22 not do any systematic or algorithmic trading"? Do you see
23 that?

24 A. Yes, I do.

25 Q. And you saw that back in November, right?

1 A. I did.

2 Q. And it says, "We have no intention to build out a
3 quantitative trading effort." Do you see that?

4 A. I do see that.

5 Q. Sir, is it your testimony that this is not true?

6 A. It is my testimony that the system -- that algorithmic
7 trading, it doesn't say "algorithmic investment strategies."

8 Q. Neither does the contract, sir. So I'm asking --

9 A. It does actually say that. It says "algorithmic investment
10 strategies."

11 Q. Hang on a second.

12 THE COURT: You see, when two people talk at the same
13 time, it's the reporter's choice.

14 THE WITNESS: I'm sorry.

15 Q. Mr. DeAddio, I just want to ask you a very simple question.
16 Yes or no, did you believe Mr. Targoff was telling the truth
17 when he wrote this?

18 MR. HAWKS-LADDS: Objection. Mr. Targoff, whether he
19 was telling the truth or not, it's not for this witness to
20 opine on. It's inappropriate.

21 MR. BUCHDAHL: Let me ask another, slightly different
22 question.

23 Q. Do you have any evidence at all to suggest that Mr. Targoff
24 was not being completely truthful when he wrote this e-mail?

25 A. Yes.

1 Q. So you don't think he was being truthful.

2 A. I can't opine on whether he was being truthful or not.
3 Evidence suggests otherwise.

4 Q. All right. Would you agree with me that the Court would
5 have to conclude that Mr. Targoff was not being truthful here
6 if she were to rule in WorldQuant's favor in this preliminary
7 injunction hearing?

8 A. Not exactly, no.

9 Q. To your knowledge, Third Point does not do any black box
10 trading, correct?

11 A. I don't have that knowledge.

12 Q. Does WorldQuant do black box trading?

13 A. Does WorldQuant? Yes, WorldQuant does black box trading as
14 it is defined.

15 Q. Now, you also have here, in your employment agreement --
16 let's go back to tab F, please. I'm sorry. Yes, no, it's F,
17 page 2. You also refer here, in your examples, to high-
18 frequency trading. Correct?

19 A. Yes.

20 Q. Now, WorldQuant does not do high-frequency trading, right?

21 A. It does not do high-frequency trading.

22 Q. But you nonetheless believed at WorldQuant that a
23 high-frequency trading operation would be a competitor of
24 WorldQuant's, right?

25 A. It would be a competitive activity of WorldQuant's, given

1 the knowledge required, yes.

2 Q. And so WorldQuant didn't just define businesses that it was
3 in, but it chose those businesses that it thought were actually
4 in a competitive position to WorldQuant, right? And that's how
5 you went about crafting this definition.

6 A. Correct.

7 Q. Now, nothing in this definition says anything about
8 fundamental investing, correct?

9 A. It does not.

10 Q. But fundamental investing is not quantitative trading or
11 investment strategies, right?

12 A. If one was only doing fundamental investing, I would agree
13 with you, yes.

14 Q. Now, the word "quantamental" also does not appear in this
15 definition, right?

16 A. Because it's not a real word in any dictionary.

17 Q. Well, we can agree that it is a word that is used in the
18 investment industry, right?

19 A. With no definition, I would agree with you.

20 Q. Well, you were happy to use that word in your own
21 affidavit, right?

22 A. Because it was used in the investor letter and in other
23 public speaking for Mr. Loeb. Even though it has no
24 definition.

25 Q. And, sir, did you believe you understood what Mr. Loeb was

1 talking about?

2 A. In his definition, yes.

3 Q. So you didn't have any problem understanding Mr. Loeb.

4 A. In his writings, in his interpretation of the word, it was
5 quite clear what he was saying that Third Point would be doing.

6 Q. What did you understand him to be saying?

7 A. It would be building a quantitative investment process to
8 augment their fundamental process.

9 Q. And "quantamental" wasn't a new term in November 2016,
10 right?

11 A. We found some articles going back to maybe 2014, but if,
12 again, the term is not defined, and many people interpret it in
13 different ways. So it is a term.

14 Q. But generally speaking the term has been around in the
15 industry for a couple of years, right?

16 A. Generally speaking.

17 Q. But you didn't choose to use this term as something that
18 would be a competitor of WorldQuant, right?

19 A. We did not.

20 Q. And instead, every example that you use here, after
21 "statistical arbitrage," every single example uses the word
22 "trading," right?

23 A. True.

24 Q. You do not say "algorithmic analysis," do you?

25 A. We do not.

1 Q. You do not say "quantitative research," do you?

2 A. We do not.

3 Q. Every attempt you made to define what "quantitative trading
4 or investment strategies" meant, you used the word "trading,"
5 with the exception of this one statistical arbitrage example,
6 correct?

7 A. Correct.

8 Q. Because the focus here in this definition is on trading,
9 isn't it?

10 A. I think the focus is on quantitative trading or investment
11 strategies.

12 Q. Right.

13 A. Which is -- I think, "investment strategies" stands on its
14 own.

15 Q. So is it your position that any investment strategy that
16 uses quantitative research would be competitive?

17 A. Yes, it is.

18 Q. All right. Now, let me ask you this question. I'm going
19 to show you paragraph 34 of your affidavit.

20 A. OK. Do I have that here?

21 Q. I'll put it on the screen for you.

22 A. Thank you.

23 MR. BUCHDAHL: I'll put it on your screen too.

24 Q. Do you see paragraph 34 there?

25 A. Yes, I do.

1 Q. Now, you make clear in your declaration that Mr. Ober could
2 work at any financial company that does not compete with
3 WorldQuant, in the quantitative investment industry. Do you
4 see that?

5 A. I do.

6 Q. Can you give us some examples?

7 A. Certainly. I can say the quan -- a financial company,
8 Bloomberg, financial data companies, of which he knows many. I
9 could say purely fundamental funds like the one I used to work
10 at. I could say a credit fund, a credit hedge fund that only
11 trades in debt and in leveraged loans. They're all fine.

12 Q. OK. So if Mr. Ober were being hired to buy data sets, by a
13 fundamental hedge fund --

14 A. Mm-hmm.

15 Q. -- would you believe that that was competitive?

16 A. If they were not intending to create a quantitative data
17 services infrastructure, then, yes.

18 Q. Then, yes, what?

19 A. Then it would not be competitive.

20 Q. It would not be competitive. So where does it turn into
21 competitive in your mind? At what stage of the process?

22 Let use another example to give guidance.

23 A. Do you want me to answer the question?

24 Q. Yes, but I want to use an example that I think will help us
25 talk about it.

1 THE WITNESS: I've got J here.

2 MR. BUCHDAHL: It's not J. I think we want K.

3 Q. All right. Would you look at this chart I put up here.

4 A. Yes.

5 Q. So I want your help so I can understand where you think
6 that you become a competitor with WorldQuant. We agree that
7 WorldQuant does computer-driven trades. Right?

8 A. That's true.

9 Q. All right. And we agree that there are computer
10 programmers, actual computer scientists, who write the code for
11 algorithms that generate those trades, right?

12 A. Yes.

13 Q. And we can agree Mr. Ober doesn't know how to do that,
14 right?

15 A. Mr. Ober is not a computer programmer.

16 Q. OK. And before it gets to the computer programmers, there
17 are research scientists who do research on the data, right?

18 A. Data and research scientists, yes.

19 Q. And we can agree that's not Mr. Ober's job either, right?

20 A. Um, no. He does a part of it.

21 Q. But he turns it over to the research team.

22 A. After two levels of assessment where he does the work of
23 the data scientists.

24 Q. Yes. And then it's the researchers who make the decision
25 about whether it's going to move to the next step in the

1 process, right?

2 A. Our analysts or researchers do that, yes.

3 Q. And so, have you seen any evidence that Third Point is
4 trying to hire computer programmers?

5 A. Your Exhibit A says that they're hiring data scientists and
6 developers.

7 Q. No, I agree with that. It says computer scientists -- I
8 mean data scientists and developers. Have you seen any
9 evidence that they're hiring coders, computer scientists?

10 A. I would have no way to see any evidence of that, no.

11 Q. And without a computer programmer, you can't do any
12 algorithmic trading, right?

13 A. That is very true.

14 Q. And without a computer programmer, you can't do any
15 computer-driven trading, right?

16 A. That is very true.

17 Q. And without a computer programmer, you can't do any black
18 box trading, right?

19 A. Absolutely.

20 Q. And so all of those examples that you used in the contract
21 require computer programmers in order to do.

22 A. Of course they do.

23 Q. And if we look back at Exhibit A, where Third Point charted
24 out all the people it wanted to hire --

25 A. Mm-hmm.

1 Q. -- on page 7, there is not a computer programmer among
2 them, is there?

3 MR. HAWKS-LADDS: On which page?

4 MR. BUCHDAHL: Page 7.

5 A. Um, I'm sorry. "Data engineer" is another word for a
6 computer programmer, because they are responsible for data
7 loading, visualization, and database administration. That is a
8 computer programmer.

9 I would also add that web scraping, it is required to
10 be a computer programmer to do. And I would also add that they
11 speak here of an IT team that already exists. And I don't know
12 if they have computer programmers on or not, but it seems to
13 imply that they do.

14 Q. OK. This is all referred to under 1 as the data team
15 personnel hiring management, correct?

16 A. Yes.

17 Q. Now, at WorldQuant, the data team brings the data in, turns
18 it over to the research team, who turns it over to computer
19 scientists, who make the code. Right?

20 A. No, that's not correct. The data scientists at WorldQuant
21 are computer programmers.

22 Q. Are they the computer programmers who code your algorithms?

23 A. No. They are the ones who load, clean, and manage the data
24 and the database.

25 Q. It is an entirely separate group of people who code the

1 algorithms that you call alphas from the data scientists who
2 wrote the data, correct?

3 A. It is a different group. They are all computer
4 programmers.

5 Q. Now, let's go back to the contract, Exhibit F.

6 A. I'm sorry. F for Frank?

7 Q. F for Frank. Could you turn to the last page.

8 A. Yes.

9 Q. Now, paragraph B, do you see a last sentence beginning with
10 "in addition"?

11 A. Yes.

12 Q. Now, this says "in addition, the nonprevailing party in any
13 litigation with respect to the restrictive covenants contained
14 in the agreement shall pay the prevailing party all of its
15 reasonable attorney's fees and other legal costs and
16 disbursements expended in the conduct of such litigation." Do
17 you see that?

18 A. I do.

19 Q. Would you agree with me that this is litigation with
20 respect to the restrictive covenant contained in this
21 agreement?

22 MR. HAWKS-LADDS: Relevance to the covenant issue,
23 your Honor. That's something that we can argue about later.

24 THE COURT: Overruled.

25 A. I'm sorry. I am not a lawyer, and I can't parse that part

1 of it.

2 Q. All right. So do you believe that you are trying to
3 enforce with this litigation a restrictive covenant in this
4 agreement?

5 A. Yes, I do.

6 Q. Thank you.

7 At what point, going back now to this chart that I
8 have on your screen, at what point in this process would you
9 believe that a company crossed the line and became a competitor
10 of WorldQuant's?

11 A. When they decide that they are going to start building an
12 infrastructure to consume large data sets that cannot be used
13 in Excel, that require data scientists, computer programmers,
14 and databases to digest and analyze and then make that an idea-
15 generation aspect of their existing -- an idea-generation
16 addition to their existing investment process.

17 Q. Simply the analysis of large databases, in your mind, would
18 bring you within the definition of "competitor"?

19 MR. HAWKS-LADDS: Objection.

20 A. Let me -- I -- go ahead.

21 THE COURT: Objection overruled. You may answer the
22 question.

23 A. I will augment my decision -- my opinion.

24 THE COURT: Testimony.

25 THE WITNESS: Thank you.

1 A. -- testimony, and then use the information from that to
2 change the way they trade and invest.

3 Q. So if Third Point never changed the way it traded but it
4 sometimes made different decisions because it had this
5 additional data, to you that's enough?

6 A. They are one and the same. You cannot not change the way
7 you trade but change your decision process, because their
8 decision process always results in buying or selling stock.

9 Q. So your point is, look, at the end of the day, Third Point
10 has to make a trade in order to invest in a company, so of
11 course it's trading. Is that the point?

12 A. Absolutely.

13 Q. OK.

14 A. Spot on.

15 Q. All right. Now, you acknowledged yesterday that WorldQuant
16 trades in a very large number of stocks. Do you remember being
17 asked that?

18 A. Yes, I do.

19 Q. Now, does WorldQuant trade every single company in the Dow
20 Jones industrial average?

21 A. Dow Jones industrial average. I would say on average, yes.
22 Sometimes, sometimes not, but on average yes.

23 Q. Does WorldQuant trade every company in the S&P 500?

24 A. On average, most, not always all.

25 Q. If a company is big enough for Third Point to take a

1 billion dollar position, aren't the chances 99 out a hundred
2 that WorldQuant is trading that stock?

3 A. The chances are materially high.

4 Q. Would you agree with me that any company big enough for
5 Third Point to put a billion dollars in is being traded by
6 WorldQuant?

7 A. The probability is high, but I can't say definitely all the
8 time.

9 Q. When you say "high," though, we agree it's well north of 90
10 percent, correct?

11 A. I can't answer the number, but it is -- it is probable.
12 How about that?

13 Q. And can you tell the Court -- and I'm not asking you to do
14 it -- but would you be able to tell the Court what WorldQuant's
15 biggest position is right now?

16 A. Today?

17 Q. Yes.

18 MR. HAWKS-LADDS: He's not asking you to do it. He's
19 asking you, could you do it.

20 A. Could I tell it? Yes, I could.

21 Q. In a single-name stock?

22 A. Yes.

23 Q. Could you tell the Court what WorldQuant's five top
24 positions are in single-name stocks?

25 A. Are you asking me, do I have access to that information?

1 How would I be able to tell you from memory?

2 Q. Let's start with you. Do you know, sitting here today?

3 A. As of today, off the top of my head, no. I would have to
4 look.

5 Q. Mr. Targoff came in -- you weren't present, but Mr. Targoff
6 explained that Third Point's biggest position was a \$2 billion
7 debt in Backster Industries that they've had already for over a
8 year.

9 A. I'm sorry, \$2 billion --

10 Q. Position in a company called Backster Industries --

11 A. Yes.

12 Q. -- that they had made more than a year ago.

13 A. Mm-hmm.

14 Q. Has WorldQuant ever made a billion dollar investment in a
15 single-name company and held it for more than a year?

16 A. No.

17 Q. What percentage of WorldQuant's profits are generated from
18 trading activity with a time horizon of less than one month?

19 A. I don't have that information, but it's not a hundred
20 percent. We have strategies that have more than a one-month
21 holding period. We have a long-only set of strategies that
22 have many-month holding periods.

23 Q. I understand that. You testified yesterday. I'm trying to
24 allow the Court to figure out, just to get a sense of the
25 percentages. Would you agree with me that the bulk of

1 WorldQuant's profits is generated by trading activity with a
2 time horizon of less than one month?

3 A. I don't know. I don't know. I don't have, actually, I
4 don't have data that gives me profits by holding period. That
5 I don't know.

6 Q. Would you agree with me that the vast majority of
7 WorldQuant's actual alphas have to do with time horizons less
8 than one month?

9 A. I don't have that information either.

10 We have alphas of all holding periods.

11 Q. What company does WorldQuant have its biggest stake in
12 right now?

13 MR. HAWKS-LADDS: Wait a minute. Just, your Honor, I
14 just need to check with my client to see if that's proprietary
15 and confidential.

16 (Pause)

17 MR. HAWKS-LADDS: It's a proprietary and confidential
18 trade secret that is not open to the public, and I object to
19 the question.

20 MR. BUCHDAHL: We would agree that we can seal this
21 portion of the transcript.

22 MR. HAWKS-LADDS: I don't know what the relevance is
23 either, but --

24 MR. BUCHDAHL: OK. I'll withdraw it, just to make it
25 easier.

1 Q. When did WorldQuant make that investment in its largest
2 holding?

3 A. When did they make it?

4 Q. Yes.

5 A. We have many stocks, and I don't have the timing of each
6 stock, in terms of when we entered the first share or the
7 second share or the third share. What's the question?

8 Q. The question was, when did WorldQuant make its investment
9 in its current largest holding?

10 A. I don't have that information.

11 Q. Why? Can you tell me why WorldQuant invested in that
12 company?

13 A. In terms of the thesis?

14 Q. Yes.

15 A. Because our algorithmic trading signals show that that is a
16 stock that's likely going to go up for a variety of reasons
17 based on data sets that we have.

18 Q. And that was information generated by computer programs,
19 correct?

20 A. It is information run by a computer program from algorithms
21 that human beings coded.

22 Q. And computers entered the trades, right?

23 A. Computers executed the trades, yes.

24 Q. Even for WorldQuant's biggest position.

25 A. Right.

1 Q. Do you know what the time horizon is for that investment?

2 A. The time horizon, I can't tell you the time horizon,
3 because every day we reassess all of our positions, and change
4 them. So no time horizon will be known for any stock.

5 Q. And just so we're clear, when you say "we assess all our
6 positions," what you mean is, computers are running algorithms
7 that spit out answers with regard to all of your positions,
8 correct?

9 A. It is, that's correct.

10 Q. There is nobody at WorldQuant who is going to say, you know
11 what, I think we're done with this largest investment and I
12 personally am going to sell. That doesn't happen at
13 WorldQuant, does it?

14 A. Discretion at the single-stock level does not happen.
15 Discretion at the size of investments across strategies is
16 discretionary at the human -- at the human level, yes.

17 Q. Do you have any alphas that relate to only a single stock?

18 A. Yes. We developed alphas that relate to single stocks and
19 single sectors and single indices and single ETFs.

20 Q. What percentage of single-stock alphas does WorldQuant
21 have?

22 A. I don't have that information.

23 Q. It's less than 1 percent of your alphas, isn't it?

24 MR. HAWKS-LADDS: Objection.

25 A. How would I know that?

1 MR. HAWKS-LADDS: He says he doesn't know. If he
2 doesn't know, he doesn't know.

3 A. I don't know. I don't know that to be a fact, no.

4 Q. Well, do you think there's any chance that it's half of
5 your alphas?

6 A. I don't know the answer to that. I don't think there's --
7 I don't think half is a reasonable number, but I don't know
8 anything from there. We don't, we don't calculate those
9 numbers. I don't have those facts.

10 Q. So Mr. Ober also wouldn't have any idea what alphas relate
11 to a single company or to bundles of companies, correct?

12 A. I think we stipulated that he doesn't have knowledge of the
13 actual algorithms themselves.

14 Q. So Mr. Ober doesn't have any better idea than you do of
15 what the top five holdings are at WorldQuant, right?

16 A. Um, no, he wouldn't have any better idea than I do; that's
17 correct.

18 Q. Now, what percentage -- let's start here. How big is
19 WorldQuant? What's the assets under management?

20 A. That I can't give you because, since we manage our managed
21 account for Millennium, there are no assets under management
22 per se that can be pointed out, because we don't have our own
23 file.

24 Q. How big is Millennium?

25 A. Millennium --

1 THE WITNESS: Can I?

2 MR. HAWKS-LADDS: Yes, go ahead.

3 A. Millennium is approximately 34 billion in AUM.

4 Q. And you can't say what percentage of Millennium's assets
5 are made available for WorldQuant's trading strategies?

6 A. You can't because of the way leverage is commingled. It's
7 an allocation. There is no actual number for AUM, no.

8 Q. So WorldQuant can't make any claims as to the size of its
9 trading.

10 A. I can make an approximation and tell you what we can say.

11 Q. Please do that.

12 A. [REDACTED]

13 [REDACTED] And it's unfortunately very
14 esoteric and obtuse.

15 Q. Approximately how many billion dollars would be associated
16 with that investment?

17 THE WITNESS: Am I OK?

18 MR. HAWKS-LADDS: Is that -- just a second.

19 (Pause)

20 MR. HAWKS-LADDS: That's confidential and proprietary
21 information, your Honor.

22 THE COURT: All right.

23 Q. Approximately what percentage of the total assets being
24 traded by WorldQuant are invested in its biggest holding that
25 you described earlier?

1 MR. HAWKS-LADDS: Just one second.

2 Go ahead.

3 THE WITNESS: I can answer that one?

4 MR. HAWKS-LADDS: This is the same question you
5 answered you didn't know. So you can answer.

6 THE WITNESS: I can answer?

7 MR. HAWKS-LADDS: Yes.

8 A. OK. On average, our biggest holding usually [REDACTED]
9 [REDACTED]

10 Q. So the top five -- let's do it another way. The top 20
11 positions at WorldQuant would be [REDACTED] of all
12 your assets.

13 A. Um, it could -- probably, that -- that would probably be
14 true.

15 Q. You're the chief operating officer of WorldQuant, correct?

16 A. I am.

17 Q. How many locations does WorldQuant have around the world?

18 A. We currently have 22 locations.

19 Q. How many computer servers does WorldQuant use to make its
20 trades?

21 A. You can't really measure them in servers anymore, and I
22 apologize for being obtuse. They're measured in cores, in
23 terms of CPUs. So we have about 60,000 CPUs.

24 Q. 60,000 CPUs?

25 A. That's right, yes.

1 Q. And all of them are in use to generate trading activity,
2 correct?

3 A. Um, most are.

4 Q. And approximately how many trades does WorldQuant do in a
5 day?

6 A. We can do several hundred thousand and peak over a million
7 trades a day.

8 Q. Now, you said before that it doesn't matter if the computer
9 does it or if a human does it. Is there any human being on
10 earth that could execute a million trades in a day?

11 A. Um, it's the number of shares that matter. But, no, a
12 human could not enter a million trades a day.

13 Q. How many human beings do you think it would take, if a
14 company is never going to do any computer trading,
15 computer-execution trades, how many people would it take to do
16 a million trade executions in a day?

17 A. Do you really want me to answer that question?

18 Q. Would it be more than 500 people? 500 traders?

19 A. It's not about the number of trades, by the way. It's the
20 number of shares that trade.

21 Q. Well, I'm talking about number of trades. So that's the
22 question.

23 A. You could not do that many individual trades a day with
24 people, that's correct.

25 Q. Now, some of those trades are for very short-term horizons,

1 correct?

2 A. Define "short term."

3 Q. Less than one day.

4 A. No.

5 Q. So none of your trading is designed to move in and out of
6 position in less than a day?

7 A. We very rarely cross, whether a long or a short, in a
8 single day for any stock.

9 Q. But a lot of it is within a month.

10 A. Yes.

11 Q. And how much of it is within a week?

12 A. I don't have the stats. We don't measure that.

13 Q. Is more of it longer than a week and less than a month, or
14 less than a week?

15 A. I don't have the stat. We don't measure that.

16 Q. Mr. DeAddio, did you participate in drafting the employee
17 handbook?

18 A. In sections of it.

19 Q. Could you turn to Plaintiff's Exhibit 9. That's in the
20 other binder. I want you to turn to page 34.

21 A. Yes.

22 Q. The first paragraph is, by way of illustration and not
23 limitation, it gives nine different examples of confidential
24 information. Correct?

25 A. The first paragraph or the bottom?

1 Q. "Confidential information includes."

2 A. OK.

3 Q. Very top of page 35. Are you with me?

4 A. Yes.

5 Q. Nothing in there says anything about vendor lists, correct?

6 A. "Vendor" is not mentioned there, specifically.

7 Q. All right. I want to turn back to the Plaintiff's -- I'm
8 sorry -- back to the defense binder, Exhibit D.

9 A. Yes.

10 Q. You have that in front of you?

11 A. I do.

12 Q. Now, you will agree with me that this is a vendor list,
13 correct?

14 A. I would agree with you that this is a vendor list, yes.

15 Q. Now, as we look at this list, you said there were 41 names
16 on it. You counted them. Right?

17 A. That's correct.

18 Q. And then when you looked at the Third Point internal
19 presentation, you said there were 30 additional names that
20 Third Point had on its internal list. Right?

21 A. Yes. From the second, the second, yes.

22 Q. So when Third Point put its list together, it had a much
23 bigger list than what Ober provided, correct?

24 A. That's correct.

25 Q. So it certainly doesn't look like Third Point was trying to

1 narrow down based on Mr. Ober's work, right?

2 A. The bigger list, only 11 were firms we hadn't reviewed.

3 Q. That wasn't my question. 30 of them were names that had
4 not been provided by Mr. Ober in this list, correct?

5 A. That is correct.

6 Q. Out of 71.

7 A. That's correct.

8 Q. Now, let's look at exactly what Mr. Ober included in his
9 list. Now, you said that 40 of these had gone through what you
10 described as WorldQuant's initial screening process. Right?

11 A. Yes.

12 Q. How many of those 40 made it through that initial screening
13 process?

14 A. I believe 29 or 30.

15 Q. All right. So right off the top, Mr. Ober's team concluded
16 that a quarter of them were not valuable enough to WorldQuant
17 to proceed, right?

18 A. Correct.

19 Q. And yet here, he wrote, "These are sample vendors I think
20 will be valuable to Third Point." Right?

21 A. Yes, he did.

22 Q. So even though WorldQuant had determined that some of these
23 vendors were not useful to WorldQuant, Mr. Ober still thought
24 they might be useful to Third Point, right?

25 A. Seemingly so.

1 Q. And of those 30 or so that made it through the initial
2 screening, how many actually went into production at
3 WorldQuant?

4 A. I believe that number would be -- doing this from memory --
5 I think it's over 20.

6 Q. Over 20.

7 A. Mm-hmm.

8 Q. And that's at some time in production, not necessarily --

9 A. They are all currently in production. OK. We're into
10 production. None of these have been decommissioned.

11 Q. That's, just I will represent to you, that's a larger
12 number than Mr. Ober said, but OK. So 20 of the 30 actually
13 went into production. So that's another culling that
14 WorldQuant did, right?

15 A. Yes.

16 Q. And yet even the ones that didn't make it there, Mr. Ober
17 included on this list, right?

18 A. Correct.

19 Q. So if he was trying to save Third Point time to allow them
20 to get quickly down to what WorldQuant thought mattered, he
21 didn't communicate that, did he?

22 A. I'm sorry. Communicate that to Third Point?

23 Q. He certainly didn't just give Third Point the ones that had
24 made it through these important WorldQuant screens. He gave
25 them a much bigger universe, including ones that WorldQuant had

1 rejected. Right?

2 A. Reviewed and rejected, yes.

3 Q. OK. So let's talk about a couple of these.

4 MR. BUCHDAHL: And I am going to use a couple new
5 exhibits, which I will now hand out.

6 THE COURT: OK. You know what, I think this is a good
7 time for us to take our luncheon break. We will resume at 2
8 o'clock.

9 MR. BUCHDAHL: Thank you, your Honor. And if the
10 Court would like, I will give you these exhibits just so you'll
11 have them.

12 THE COURT: Thank you.

13 (Witness excused)

14 (Luncheon recess)

15 (Continued on next page)

1 AFTERNOON SESSION

2 2:00 pm

3 (Hearing resumes)

4 (In open court)

5 THE COURT: Good afternoon. Please be seated. You
6 may resume, Mr. Buchdahl.

7 CROSS-EXAMINATION

8 BY MR. BUCHDAHL:

9 Q. Mr. De Addio, I asked you a few questions about the size of
10 WorldQuant's operations, and you testified that there were 22
11 locations worldwide. Is that correct?

12 A. Correct, yes.

13 Q. Why do you have locations in different places around the
14 world?

15 A. We have locations in different places around the world
16 because we find it a better competitive advantage to hire
17 talent outside the U.S. because there is less competition and
18 that way we don't have to worry about A visa situation which is
19 increasingly more difficult to obtain visas for non-U.S.
20 Citizens to work.

21 Q. And may not get any easier any time soon?

22 A. I suspect that is correct, sir.

23 Q. Approximately how many employees does WorldQuant have?

24 A. Approximately, I would say, 540-plus.

25 Q. Of those, how many are actually involved in the coding of

1 the alphas, the actual computer scientists writing the code?

2 A. About 250.

3 Q. Approximately how many people are in the category of
4 researchers that first receive the data from the data team?

5 A. We would have about 30 or so that would be involved in the
6 data on-boarding process, give or take.

7 Q. I don't mean on-boarding so much testing of the data?

8 A. The initial testing of the data, the first assessment?

9 Q. No. It doesn't matter what word. Mr. Ober's group?

10 A. The acquisition and initial assessment team. Mr. Ober's
11 group is, if you include internal staff overall, the W, the
12 market data request team I believe would be eight or so people.

13 Q. How many people are in the level in-between the computer
14 science coders and Mr. Ober's group in that research group in
15 the middle that is testing that assessment?

16 A. I am sorry. You make an improper distinction on the way
17 we're organized.

18 Q. All I can tell you, let me represent to you Mr. Ober
19 testified that when they on-board the data, it is then turned
20 over to a group that would do research so many of these people
21 had PhDs and were scientists that were separated from the
22 people doing actual coding. Is that accurate?

23 A. No, that is not accurate. The researchers do the coding,
24 the 250-people-person group I mentioned to you, that is one and
25 the same.

1 Q. You said before the break there were 60,000 CPUs involved?

2 A. Approximately, yes.

3 Q. How much does WorldQuant have to pay for one of those?

4 A. I don't know. I am sorry.

5 Q. Do you know how much money WorldQuant spends to maintain
6 the 60,000 CPUs over the course of a year?

7 MR. HAWKS-LADDS: Objection on relevance, your Honor.

8 THE COURT: Yes. We are getting a little far afield.

9 Sustained.

10 BY MR. BUCHDAHL:

11 Q. Let me ask one question about that. CPUs are not the
12 equivalent of a portfolio computer you and I would buy from the
13 Apple store, correct?

14 THE COURT: I know what a CPU is.

15 MR. BUCHDAHL: The reason I asked about costs, your
16 Honor, is to give you a sense of the scale of the operation and
17 magnitude of what Third Point would have to spend in order to
18 convert to that type of operation, but I don't need to go any
19 further.

20 BY MR. BUCHDAHL:

21 Q. Before the break, I put three new exhibits in the flap of
22 your smaller binder. If you look in the inside cover there
23 should be ones marked L, M and N. Do you see those?

24 A. Yes, I do.

25 Q. Let's start with the one that you've marked as Defense

1 Exhibit L. It says, "Bloomberg for Enterprise" at the bottom.
2 Do you see that?

3 A. Yes.

4 THE COURT: Before we do that, are you putting these
5 in evidence?

6 MR. BUCHDAHL: Yes. I apologize. I would like to
7 offer L, M and N, and I will represent these are simply printed
8 off the internet from the Bloomberg Estimized websites
9 respectively.

10 MR. HAWKS-LADDS: L, M and N, no objection.

11 THE COURT: L M and N received in evidence.

12 (Defendant Exhibits L, M and N received in evidence)

13 BY MR. BUCHDAHL:

14 Q. Now, sir, have you ever been to Bloomberg's web site?

15 A. Yes, I have.

16 Q. Do you recognize this advertisement from Bloomberg for his
17 news analytics?

18 A. I have never seen this one particularly, no.

19 Q. I want to look at how they describe themselves to potential
20 purchasers. Now, let's start with volumes of content are
21 growing fast. Do you see that paragraph?

22 A. Yes, I do.

23 Q. It says speed is essential for the event-driven trading
24 strategies, but thousands of stories appear every day and
25 algorithmic applications often require additional context to

1 react appropriately. Not every story is as important to your
2 firm's strategy as the next and not every story hits the market
3 in exactly the same way. As algorithmic strategies become more
4 complex, firms need to augment --

5 THE COURT: What document are you reading from, L?

6 MR. BUCHDAHL: L, yes. I think I have already read
7 more than I need to. Let me just complete that sentence.

8 Contextual details that help differential mundane
9 items from significant market moving events.

10 BY MR. BUCHDAHL:

11 Q. Mr. De Addio, it is not a secret that Bloomberg is selling
12 news analytics products, correct?

13 A. It is not a secret.

14 Q. It is not a secret that Bloomberg itself is offering a
15 product that codes its stories in order to turn it over to
16 firms in the nature of data feed, correct?

17 MR. HAWKS-LADDS: Objection; foundation.

18 THE COURT: All right. Would you lay a foundation,
19 Mr. Buchdahl, for that.

20 MR. BUCHDAHL: Sure.

21 BY MR. BUCHDAHL:

22 Q. Let's look under news analytics sharpen the focus. What
23 this describes, it says Bloomberg news analytics deliver an
24 informative second layer of processing for our industry leading
25 textual news feed. Then if you look at the next paragraph,

1 analytics provides numerical scores generated from the top tier
2 news wires available through the Bloomberg professional
3 service.

4 Now, sir, are you familiar with this service that
5 Bloomberg provides?

6 A. Generally, yes.

7 Q. You understand that what Bloomberg is doing is taking news
8 articles and actually assigning numbers to them based on
9 Bloomberg's own view of what that means for different
10 businesses, correct?

11 A. Yes, I believe that is what they do.

12 Q. This is a product that a quant firm can buy and feed
13 directly into its computers, correct?

14 A. They could, yes.

15 Q. It is not a secret that this is a service that Bloomberg
16 provides, right?

17 A. Not a secret at all.

18 Q. In fact, it is not a secret that Bloomberg is probably the
19 largest source of business news for Wall Street, correct?

20 A. One of the largest.

21 Q. Is there a larger one?

22 A. I think others could compete. It depends on how you define
23 "large," but no doubt one of the largest, of course.

24 Q. The other largest would be maybe Dow Jones or Thompson
25 Reuters?

1 A. Yes.

2 Q. Can you think of any bigger than those three?

3 A. That would probably make the top three at least in the U.S.

4 Q. Let's look for a moment at M and N. Now, sir, are you
5 familiar with a company called Estimize?

6 A. Yes, I am.

7 Q. Is it fair to describe Estimize as a web site that collects
8 estimates from users about companies who --

9 A. Generally speaking, yes.

10 Q. Now, if you look -- have you been to the Estimize web site
11 itself?

12 A. To the web site itself, no, I have not.

13 Q. If you can see at the top of this printout one M, Exhibit
14 M, you can see there is a bar above the words, "quantitative
15 investors." Do you see that?

16 A. Yes.

17 Q. You can see on N there is a bar above a description for
18 discretionary investors. Do you see that?

19 A. Yes, I do.

20 Q. At least from Estimize's perspective, they are pitching to
21 at least two different audiences, one of which is a
22 quantitative investor, correct?

23 A. Correct.

24 Q. And another potential audience would be a discretionary
25 investor, correct?

1 A. Yes.

2 Q. You understand from your own work experience that a
3 discretionary investor is one where a human being would have to
4 exercise some discretion about whether to invest in any
5 particular company, correct?

6 A. That is correct.

7 Q. You can see that when Estimize is pitching its product to
8 quantitative investors, it is talking about the fact that they
9 are going to have earnings and revenue estimates on over 2,100
10 U.S. listed stocks, and you can see that is the second bullet
11 point down below, correct?

12 A. Correct.

13 Q. And you can see they have a quote from Deutsche Bank Quant
14 Research. Are you familiar with Deutsche Bank Quant Research?

15 A. No, I am not.

16 Q. If you look over to Exhibit N, could you turn down to the
17 5th bullet point there.

18 A. Yes.

19 Q. You see it says begins with get alerted?

20 A. Yes.

21 Q. It says, "Get alerted when a name you care about is likely
22 to miss big or has seen a significant trend in consensus."

23 Do you see that?

24 A. Yes.

25 Q. What that means by a name you care about is a company's

1 name that you might be interested in investing in, correct?

2 A. I would assume that's what they mean.

3 Q. Now, a discretionary investor or someone who took a single
4 bet in or a large bet in a single company could use Estimote
5 for information about just that single company, correct?

6 A. I believe so.

7 Q. But if you were interested in large amounts of data, you
8 could purchase the entire feed and analyze all of it
9 simultaneously, correct?

10 A. Yes, you could.

11 Q. In fact, the datasets that WorldQuant is interested in are
12 in nearly every case datasets that involve over a hundred
13 different companies, correct?

14 A. We have datasets of less than a hundred but, yes, many of
15 them are greater than a hundred.

16 Q. Nearly all of them was my question, nearly all of them
17 involves over a hundred companies, correct?

18 A. I cannot answer nearly all of them because I don't know the
19 answer to that.

20 Q. Would you agree with me it is most of them?

21 A. I would say most would be fair.

22 Q. Did you testify -- or maybe your counsel said it -- that
23 you have approximately [REDACTED] data vendors that you're using in
24 production?

25 A. That is correct.

1 Q. You said that of those [REDACTED], you identified 20 on the list
2 that Mr. Ober gave to Third Point?

3 A. Yes.

4 Q. So there are over [REDACTED] vendors that WorldQuant has
5 identified, screened, tested and put into production that Mr.
6 Ober did not include in his list, correct?

7 A. That is correct.

8 Q. And he did include in his list companies that WorldQuant
9 had screened and rejected and had tested and rejected, correct?

10 A. Correct.

11 Q. And you'll agree with me that it is certainly easy to think
12 of vendors that might have interest for a fundamental investor
13 that would be of no use to WorldQuant, correct?

14 A. There could certainly be vendors such as that.

15 Q. Mr. De Addio, are you aware of any documents that Mr. Ober
16 improperly took from WorldQuant?

17 A. Any actual documents?

18 Q. Actual documents?

19 A. I am aware of nothing from a document perspective.

20 Q. Is it fair to assume that WorldQuant did a diligent check
21 of his records and e-mail to see whether he had taken anything
22 with him when he left?

23 A. I would say we have done a check and continues, so the
24 initial check we have worked on.

25 Q. You have identified nothing. Is that right?

1 A. We haven't identified anything, to my knowledge, that he
2 has taken in that way.

3 MR. BUCHDAHL: One moment, your Honor.

4 (Off-the-record discussion)

5 MR. BUCHDAHL: Your Honor, I'll pass the witness.

6 THE COURT: Mr. Hawks-Ladds, do you have any redirect?

7 MR. HAWKS-LADDS: I do, your Honor.

8 REDIRECT EXAMINATION

9 BY MR. HAWKS-LADDS:

10 Q. Mr. De Addio, under cross-examination Attorney Buchdahl
11 asked you why quantamental isn't mentioned in the restrictive
12 covenant agreement. Do you remember that question?

13 A. Yes, I do.

14 Q. Why isn't quantamental mentioned in the restricted, the
15 word quantamental mentioned in the restrictive covenant
16 agreement at issue here?

17 A. Because it is not a real word. It doesn't have any real
18 definition. It is not in the dictionary. It is not anywhere
19 where one can look up what it means.

20 Q. Did you even know about the word before this litigation?

21 A. I had heard it.

22 Q. Now that you've been involved in this litigation, do you
23 have an understanding of what that word means?

24 A. I think that word can be interpreted in many ways.

25 My interpretation after reading up a lot more on it

1 personally is that it is a hybrid form of investment that
2 marries a quantitative investment process with a fundamental
3 process.

4 Q. "Fundamental process" would include discretionary
5 investors, right?

6 A. Yes.

7 Q. Turn to Exhibit C which is the e-mail from Attorney Targoff
8 to Mr. Ober.

9 A. Yes.

10 Q. Now, Attorney Buchdahl asked you questions about whether or
11 not Mr. Targoff was being dishonest or untruthful, or words to
12 that effect in this e-mail.

13 Did you have any reason when this e-mail was shown to
14 you to know whether or not Attorney Targoff was being
15 disingenuous, dishonest or the like?

16 A. No.

17 Q. Now, where Attorney Targoff wrote:

18 "We are not currently and do not expect to be a
19 competitor of WorldQuant, as we have no intention to build-out
20 a quantitative trading effort," do you have any reason as you
21 sit here today to dispute that statement now?

22 A. No.

23 Q. Well, all of the litigation involves Mr. Ober going to
24 provide Third Point with what?

25 MR. BUCHDAHL: Objection, your Honor, just the

1 characterization of what this litigation is about.

2 THE COURT: Objection to form sustained.

3 BY MR. HAWKS-LADDS:

4 Q. What is this litigation about you're trying to prevent Mr.
5 Ober to go to Third Point? Why are you doing that?

6 A. To prevent him from sharing confidential information and
7 trade secrets, to prevent him from giving them an unfair
8 competitive advantage based on our efforts and investments to
9 date and our data sources, the value of them, the value they
10 have in idea generation and their profitability.

11 Q. Explain the difference to the Judge what you just said and
12 what quantitative trading effort means.

13 A. Certainly. I would say there is a nuance here that is
14 important, and we can disagree on it, but I think it is
15 important.

16 Quantitative trading where the computers place the
17 trades is one aspect of our investment process. We differ
18 there. I do understand they have human beings placing very
19 large trades into a system manually, that then they execute
20 electronically, but there is a difference.

21 The part that this doesn't say is that he will be,
22 that they will not be embarking on a quantitative investment
23 process, a quantitative way to generate ideas from data versus
24 just the trading itself. That is the part, the idea generation
25 that they would obtain from Mr. Ober's knowledge of our most

1 profitable datasets, and then that will feed into their
2 investment process, and eventually what trades they choose to
3 execute even if it goes through a discretionary human being at
4 the end, I think that is an important nuance.

5 Q. Do you have any evidence to support the fact that Third
6 Point intends to engage in high-level, high-density trading
7 like WorldQuant does?

8 A. In terms of trading lots and lots of small trades a day, I
9 have no evidence of that.

10 Q. Does that impact your belief in any way that Ober should
11 not be able to work at Third Point?

12 A. That has nothing to do with whether it is competitive, in
13 my view. What is competitive is the idea generation part of
14 the investment thesis from the data.

15 Q. Attorney Buchdahl went through painstakingly WorldQuant's
16 electronic trading process.

17 A. Yes.

18 Q. Doesn't that play a role in whether or not Third Point is
19 competing with WorldQuant?

20 A. In my view, it does not.

21 Q. Why?

22 A. Because we choose to trade lots of trades in small size, a
23 hundred shares, 200 shares not because the timing matters. It
24 doesn't. We trade in waves per day, not every second, not
25 every minute. We do that because it gets us the best price for

1 the trades we get. If you go to the market and say I want to
2 buy a million shares, you can have the market move very quickly
3 against you.

4 We break up our trades over days into small buckets so
5 we get the best execution price. So the reason we trade so
6 many per day is to get the best execution price, not because
7 we're trading on nanoseconds or trading on data that happened
8 for the last four minutes. The vast majority of our trading is
9 what we call Day 1 trading, which is on information we received
10 yesterday, not today. We do some today, but most of our trades
11 are on information we received yesterday, and we are building
12 up or taking down a position over time to minimize how much the
13 market moves against us.

14 Q. Does it make any difference to your answer whether or not
15 Third Point begins using 6,000 CPUs to do their trades as
16 opposed to two trades?

17 A. No.

18 Q. Why?

19 A. Because again it is the idea generation that is coming from
20 the data, be it algorithmically or someone looking at it and
21 digesting it, that creates the similarity in the investment
22 idea portion of the process.

23 Q. Now let's take a look at Exhibit D --

24 A. Yes.

25 Q. -- and the attachment which has been the source of a lot of

1 testimony. Are these vendors and the datasets the totality of
2 all the vendors that Mr. Ober knows about?

3 A. No, they're not. I would add that those here that he
4 mentioned that we do have in production this year accounted for
5 35 percent, approximately, of our profits.

6 Q. These on this page accounted for --

7 A. 30 to 35 percent of our profits are reflected by the
8 datasets here that are in production, so we do have [REDACTED], but
9 the 30 here are quite disproportionately reflective.

10 Q. If Mr. Ober were permitted to go to Third Point to work as
11 its chief data scientist immediately with no break, would he be
12 able to recollect those [REDACTED] other vendors that you're using?

13 MR. BUCHDAHL: Objection.

14 THE COURT: Sustained.

15 BY MR. HAWKS-LADDS:

16 Q. Mr. De Addio, in order for Ober to do his job at Third
17 Point, he will have access to the knowledge that is within his
18 head, right?

19 A. Yes.

20 Q. And that knowledge includes all of the datasets and vendors
21 that he knows right now, right?

22 MR. BUCHDAHL: Objection; leading.

23 THE COURT: Yes, it is.

24 MR. HAWKS-LADDS: I agree with that one, your Honor.

25 THE WITNESS: I agree.

1 BY MR. HAWKS-LADDS:

2 Q. You testified on direct earlier that you, WorldQuant, needs
3 the benefit of time. Why?

4 A. The datasets that are the most profitable, the most
5 valuable from an idea-generation perspective do evolve over
6 time. They change. As new vendors come on the scene, the
7 process evolves. It must. Time allows that current knowledge
8 to decay, and by the time it is applied, which I think it
9 inevitably will be, it would be no longer easy to remember or
10 know which ones are top.

11 Q. Does the market data team which Ober used to co-head
12 consider this list confidential?

13 MR. BUCHDAHL: Objection, your Honor.

14 THE COURT: Sustained.

15 MR. HAWKS-LADDS: I don't know what is wrong with the
16 question, your Honor.

17 THE COURT: What do you mean, what do they consider?

18 The issue here is the official position of WorldQuant
19 in terms of what the contract says they consider competitive.
20 If you're trying to add in stuff that is not in the contract, I
21 don't want it.

22 MR. HAWKS-LADDS: Thank you.

23 BY MR. HAWKS-LADDS:

24 Q. Does WorldQuant consider the information in Exhibit D, the
25 first page of the attachment, confidential?

1 A. The knowledge of which vendors we trial, review and/or use
2 we consider very confidential.

3 Q. Now, in the employee handbook which is exhibit -- there are
4 several of them. I will just look at Exhibit 7, Page 33 is
5 where it starts. I want to point to the back page. 33, the
6 bottom paragraph, is a partial paragraph?

7 A. Yes.

8 Q. Read that first line.

9 A. "Confidential information includes, by way of illustration
10 and not limitation, information with respect to any investment
11 made or to be made by the company and any transactions in which
12 they have been, are or will be engaged, performance
13 information, financial or other business information."

14 Q. I won't have you read the whole paragraph. For the very
15 first line, by way of illustration and not limitation, what
16 does that mean?

17 A. This is not a comprehensive list.

18 Q. Turn to Page 35, the very top line.

19 A. Yes.

20 Q. How is "sensitive data" defined?

21 A. P&L information, that is athe profit and loss acronym,
22 timing data, position or trading information, vendor pricing,
23 et cetera.

24 Q. What does, "et cetera" mean?

25 A. And other items that we deem sensitive over time.

1 Q. Including what, for example?

2 THE COURT: Well, now, come on!

3 If it was specifically in here -- I mean, you can
4 include the whole universe given an opportunity because you
5 said well, it should include this or did include that or we
6 think it includes that. You know, the contract speaks for
7 itself.

8 BY MR. HAWKS-LADDS:

9 Q. Let's look at the contract, Mr. De Addio, Exhibit 1.

10 A. 1.

11 Q. Page 5.

12 A. Yes.

13 Q. The middle of the first paragraph that's labeled B 1, does
14 it refer to vendors anywhere? I'll help you out.

15 A. I may need to get my glasses.

16 Q. You need your glasses?

17 THE WITNESS: Would that be okay?

18 THE COURT: Actually, I would like to have you at a
19 disadvantage.

20 MR. BUCHDAHL: I will stipulate the confidential
21 information contains the phrase vendor relationship or terms
22 halfway down.

23 THE COURT: I see it.

24 BY MR. HAWKS-LADDS:

25 Q. Do you need your reading glasses, Mr. De Addio?

1 A. If we are going to go through these, I would.

2 Q. I don't have a lot more, but I want you to be able to read
3 carefully.

4 A. Let me just grab it if you don't mind. It is getting too
5 small. (Pause)

6 Q. I am done with that exhibit. I would like you to look at
7 Exhibit F, Defendant's Exhibit F.

8 A. Okay, yes.

9 Q. The second to last paragraph on the page, and this was the
10 subject of both cross and direct examination, but Attorney
11 Buchdahl crossed you on this particular paragraph.

12 A. The first page?

13 Q. No. I am sorry. The second page.

14 A. The second page, okay.

15 Q. It starts, "For the purposes hereof, quantity of trading or
16 investment strategies" --

17 A. Yes.

18 Q. Then there are definitions.

19 The last sentence that starts for the avoidance of
20 doubt and continues, a business or person that uses
21 quantitative models to trade shall be considered a competitor
22 irrespective of the products traded by such person or business.

23 What does that modify?

24 A. What does that modify?

25 Q. In the document?

1 A. This modifies the above.

2 Q. Which part?

3 A. It modifies, I believe, the whole part of the above.

4 THE COURT: What do you mean by the whole part of the
5 above?

6 THE WITNESS: In my opinion, as to how we drafted
7 this, this section gives a list of terms for the investment
8 process we use and helps describe the main term which is
9 quantitative trading or investment strategies, and at the end
10 it clarifies all of that, that anyone who uses these strategies
11 or methodologies to trade would be considered a competitor.

12 Essentially it encompasses it all and says if you use
13 it at all, we consider you a competitor. That is my
14 interpretation of this.

15 BY MR. HAWKS-LADDS:

16 Q. Your interpretation is of WorldQuant's document --

17 A. Yes.

18 Q. -- that was the intent of WorldQuant?

19 A. That is the intent.

20 Q. In that same exhibit book, turn to Exhibit A, Page 10.

21 A. Yes.

22 Q. In cross-examination Attorney Buchdahl asked you questions
23 about programmers versus -- about programmers. Do you recall
24 that questioning?

25 A. Yes, I do.

1 Q. Do you see anywhere on this page whether there is any
2 reference to any group of employees at Third Point that could
3 be considered programmers?

4 A. [REDACTED]

5 [REDACTED]

6 [REDACTED]

7 [REDACTED]

8 [REDACTED]

9 [REDACTED]

10 Q. So a technology start-up would include computer folks,
11 right?

12 MR. BUCHDAHL: Objection, your Honor.

13 THE COURT: Yes.

14 MR. BUCHDAHL: We are back to this whole idea what
15 could you possibly mean, that they meant by this.

16 THE COURT: Yes, yes, please!

17 BY MR. HAWKS-LADDS:

18 Q. Does WorldQuant have information technology people on
19 staff?

20 A. Yes, we do.

21 Q. What do they do?

22 A. Program computers.

23 Q. They don't just program computers -- withdrawn.

24 They program computers for what?

25 A. For everything from data on-boarding to data analysis to

1 quantitative algorithm development to execution and trade
2 processing.

3 Q. Attorney Buchdahl asked you questions about the number of
4 trades that WorldQuant makes. Do you remember that?

5 A. Yes.

6 Q. Does the number of trades that an investment advisor make
7 have anything --

8 THE COURT: Is this going to have an answer of yes or
9 no?

10 MR. HAWKS-LADDS: Probably not. I'll start again.

11 THE COURT: Yes.

12 BY MR. HAWKS-LADDS:

13 Q. What does the number of trades have to do with the
14 procurement and digesting of data?

15 A. Nothing.

16 Q. There were questions somewhere during cross-examination
17 relating to the types of vendor information that Mr. Ober
18 provided to Third Point and whether or not it was valuable to
19 Third Point. Do you remember that line of questioning?

20 A. Yes.

21 Q. Do you know whether or not the information that Ober
22 provided to Third Point could have been valuable to Third
23 Point?

24 MR. BUCHDAHL: Objection, your Honor.

25 THE COURT: Yes, sustained.

1 BY MR. HAWKS-LADDS:

2 Q. Are there non-traditional types of vendors that Mr. Ober
3 has knowledge of other than [REDACTED]?

4 A. Yes. Those would be the providers that data are not for
5 sale.

6 Q. What does that mean, data, "not for sale"?

7 MR. BUCHDAHL: Objection. Are we are repeating direct
8 or --

9 THE COURT: Yes, we certainly are, aren't we? Now
10 you're going to be limited to what Mr. Buchdahl asked on
11 cross-examination.

12 BY MR. HAWKS-LADDS:

13 Q. Mr. Buchdahl asked how much Third Point would have to spend
14 on quantitative strategy. Do you remember that question?

15 A. Yes.

16 MR. BUCHDAHL: Objection. I was not permitted to go
17 into that, your Honor.

18 MR. HAWKS-LADDS: Not the amount, but he asked
19 questions about how much to spend was, just not how much the
20 CPUs would cost.

21 THE COURT: Where are you going with this? May I have
22 an offer of proof.

23 MR. HAWKS-LADDS: I am almost done, by the way.

24 I want the witness to tell the court the relevance of
25 whether or not Third Point spending billions of dollars on this

1 new initiative is relevant or not and why, or why not.

2 THE COURT: Go ahead.

3 BY MR. HAWKS-LADDS:

4 Q. Can you answer the question?

5 A. I would say that to start up with 10 or 20 datasets that
6 were known to be valuable would require a fraction of the
7 investment capacity that we would have because it is a small
8 set, it is a good start up place and the investment could be
9 very, very limited and still have impact.

10 Q. Mr. Buchdahl asked you about Estimote and Bloomberg and
11 whether the fact that they sell data is confidential. Do you
12 remember that?

13 A. Yes.

14 Q. Is the fact that they sell data confidential?

15 A. No.

16 Q. What is confidential in relation to what these data
17 providers provide?

18 A. The fact that we used them, the fact that which products of
19 them we used and how much value they provide to us from a
20 profit perspective.

21 Q. All of which Ober knows?

22 A. All of which he is extremely familiar with.

23 MR. HAWKS-LADDS: Just a minute, your Honor, please.

24 THE COURT: Take your time.

25 (Off-the-record discussion)

1 MR. HAWKS-LADDS: Nothing further.

2 THE COURT: Okay.

3 MR. BUCHDAHL: Your Honor, we can let the witness go.
4 I don't have any additional cross, but I would appreciate time
5 for closing arguments.

6 MR. HAWKS-LADDS: Your Honor, we would like to prepare
7 briefs if possible.

8 MR. BUCHDAHL: Your Honor, we had a motion for a
9 temporary restraining order.

10 THE COURT: Yes, right.

11 MR. BUCHDAHL: We had a motion for a preliminary
12 injunction and we have been very patient in the sense there has
13 been no outstanding order. We have asked Mr. Ober to sit
14 tight. We have asked him not to to start, but it is time for
15 him to start.

16 We don't think some kind of briefing schedule,
17 particularly with the holidays comings up, makes a lot of
18 sense. Even if you want briefs, I would still like the
19 opportunity to argue a little bit what the conclusion the court
20 can draw is based on the day and a half testimony we have. I
21 think the witness can step down.

22 (Witness excused)

23 MR. HAWKS-LADDS: Whatever your Honor decides,
24 obviously.

25 THE COURT: Well, would you like to sum up?

1 MR. BUCHDAHL: I would, your Honor. May I?

2 THE COURT: Yes.

3 MR. BUCHDAHL: So what I think has become clear over
4 the course of the day and a half of testimony is that the
5 definition that WorldQuant is now seeking to apply to its
6 competitors is very different from the definition that is in
7 the contract.

8 The reason I say that is because if you look at the
9 contract, and I will put it back up on the screen, and we're in
10 Exhibit F which is a little easier to read perhaps, but recall
11 that this "for the avoidance of doubt" language, that was
12 already there in 2011. We already know that, generally
13 speaking, quantitative models to trade was what they were
14 talking about.

15 In 2016, they added a lot more detail. The question
16 is what did they do? The court knows when one side drafts a
17 contract, you have to construe it against that party and
18 strictly against that party because Mr. Ober was simply handed
19 this document and asked to sign it.

20 What did he fairly read? He read something that was
21 very clear, that applied to quantitative trading or investment
22 strategies. If you look down now in the third paragraph, it
23 says that these are commonly categorized, known and/or referred
24 to in the financial services industry as, and it gives a lot of
25 different things.

1 When Mr. Ober sits there and he reads these things,
2 every single one of these things is about trading. It is how
3 does the company trade. It is very clear that this was trying
4 to define what a company like WorldQuant or competitors of D.E.
5 Shaw or 2 Sigma that similarly have computers whirling all
6 around the globe doing trades in and out, that is what this is
7 talking about. That is exactly what Mr. Ober fairly read.

8 When Third Point came to him and said look, we do
9 things a little differently, we have fundamental shops, we make
10 big bets, but we think you can help us find additional
11 information so we know whether it is a good or bad idea, he
12 fairly read this and said that is not in this definition.

13 Because if you listen to what Mr. De Addio said, he
14 was very clear about what he thinks this means. He basically
15 says if you look at data, big data, and you analyze it using
16 quantitative methods, then any investment decision you make,
17 any trading decision you make falls within this definition.
18 That can't be right. That can't be right. Then if that were
19 the case, literally every investment firm that hires Mr. Ober
20 would be within this, and we already know that they don't think
21 that is the case.

22 He said if you go to a fundamental shop, that wouldn't
23 be a competitor, but what is he going to do there? He is going
24 to set up a way to analyze data. Think about what the
25 testimony showed about WorldQuant. It said they had about

1 eight people in the data team, right?

2 Then they added 250 people doing computer code. When
3 they say well, look, that's all -- we do it manly, but we want
4 to get good execution, come on! You don't have 60,000
5 computers and 250 computer programmers in order to simply just
6 get good execution. Remember they said one of the things we do
7 is we're starting to long-only funds. That means most of their
8 funds are not long-only. They're long-short. They don't have
9 a bias which way the market is going to move.

10 When you heard Mr. Targoff described Third Point's
11 business, they take weeks if not months to analyze a company.
12 They make a big bet on that company. We also heard whatever
13 company they choose WorldQuant's going to be trading in it.
14 They do every single S&P 500, do you compete. How is Third
15 Point ever going to make a trade, an investment that won't
16 somehow ripple off their models? It is impossible, right?

17 So there is nothing Third Point can do to stay out of
18 their way, but it is going to be random. It is not going to
19 influence this because they're not doing these kind of
20 quantitative triggers from the data that trigger a computer to
21 do this. There is not one word about hiring the kind of coders
22 who can make algorithms to make computers make decisions. That
23 is not what they're about.

24 Mr. Ober took that stand and said my job is going to
25 be to look at data and make a chart or graph and it will go to

1 a pitch book to the analyst. The analyst will say we look, we
2 met with management we think we know what they're doing. Or in
3 the case of Backster, we have the CEO, he is about to step
4 down. We think there is an opportunity there to find a better
5 CEO to make this company hum along.

6 What did Mr. Ober add to that?

7 He can say let's look at everything on the web. What
8 does it tell us about Backster Industries? And he pulls data
9 from Estimize and from Bloomberg and he gets all the news on
10 Backster, he gets the Estimize estimates on Backster and he
11 relays this to the investment team, and they said you know
12 what, it looks good.

13 Now, according to WorldQuant, that is computer-driven
14 trading? That would fall within this definition because it at
15 some point somebody looked at a data set? That is not what the
16 words on the page say. It is just not a fair interpretation of
17 this contract. It does not let Mr. Ober do his job anywhere
18 else.

19 Again as I said on Monday morning, a lot of defendants
20 in this context would come and say this is not an enforceable
21 provision. This is entirely enforceable. If 2 Sigma or D.E.
22 Shaw or Renaissance was trying to steal one of their guys to go
23 work with another team of 250 computer programmers, then you
24 have a point, right?

25 But Mr. De Addio was a credible, honest witness. He

1 said if you go through Exhibit D, that list of companies, he
2 said well, the list isn't a secret. What he said was a secret?
3 Which ones we're using, how profitable they are for us. He
4 didn't tell Third Point this. He is not going to share that
5 because they're looking for different things. You can't simply
6 get an injunction against someone by saying you know something
7 and you might tell them. The question is why would they care.

8 The reason you know they won't care, they're just not
9 a competitor. Mr. Ober talked about what he would do for them.
10 Mr. Targoff talked about integrating him into the fundamental
11 approach. Nobody is hiring 250 computer programmers. It is a
12 completely different business, and if they decide tomorrow to
13 invest in Exxon/Mobil because Mr. Ober said all the data on
14 Exxon/Mobil looks rosy, that is not anything that is going to
15 harm their business in any kind of specific way.

16 At the end of Monday, the very end of Monday, counsel
17 asked a question, and the court said that is a great question,
18 we'll start with it on Wednesday. The interesting thing is we
19 did not start there. I want to read that question. At the
20 very end of Monday here was the last question. Counsel was
21 talking about the list of companies, the list of data vendors
22 that Mr. Ober passed along, and counsel asked Mr. De Addio:

23 "Why or how does this information give Third Point any
24 competitive advantage?"

25 And the court said that is a great question, you can

1 ask it the first time we get together again. We didn't hear
2 that question again, and the reason is because there is no
3 answer to that question. That list doesn't tell them anything.

4 If you think about what they're afraid of, they claim
5 to be afraid that Mr. Ober is going to allow them to skip all
6 these steps, he is basically going to walk in and say these are
7 our most valuable datasets. That is the opposite of what he
8 did. 20 of those datasets, according to WorldQuant, provide 35
9 percent of their profit.

10 Now, I don't know how he knew that. He didn't know
11 any questions about relative profit when I was asking him
12 questions, but he knew that. If those were so valuable, why
13 was Mr. Ober trying to bury it in all this other information
14 with datasets they rejected? Mr. Ober was barely answering an
15 interview question, which was what are some of the datasets
16 you're going to look at.

17 Third Point incorporated that along with 30 other
18 vendors in their internal list. They were asking everyone and
19 they were getting all these ideas. The fear that they have is
20 that somehow Third Point is going to be doing the same kind of
21 trading is just not a credible, rationale fear based on any
22 evidence at all.

23 Mr. De Addio kept saying things like well, they're
24 going to start to trade more like we do, and that will be bad
25 for us. There is no evidence that that is ever going to happen

1 because that is not what Mr. Loeb does. Mr. Loeb does not want
2 to replace his judgment with a raft of supercomputers.

3 He likes to be on the boards of companies, he likes to
4 feel he can make a difference. He is on the board of Sotheby's
5 right now, he is on the board of Backster Industries, he was on
6 the board of Yahoo. When he makes an investment, it is not
7 like we'll go here, out in, every day with a computer. They
8 make a big investment based on fundamentals. Do they want more
9 data to support that? Of course, because just like the
10 documents said, they're not going to ignore quarterly earnings,
11 you're not going to ignore street research, nor should you
12 ignore all this other data out there.

13 But WorldQuant does not own that data, they don't.
14 They don't own it. Mr. Ober is free to go to those same
15 vendors and buy information that Third Point is interested in
16 for Third Point investments. They can't stop them from doing
17 that because their contract was not written that way.

18 So we would ask the court to deny this motion for a
19 preliminary injunction today so that we can take away the cloud
20 of him not being able to start on time.

21 We also ask that the court put some other measures in
22 place. The reason I say that is because WorldQuant has made it
23 very clear they are intending to push forward with this
24 litigation regardless of what happens today. Here is what that
25 is going to mean. That is going to mean Mr. Ober will have to

1 start work and start interacting with his new colleagues if an
2 injunction is denied.

3 THE COURT: If an injunction is denied?

4 MR. BUCHDAHL: If the court permits him to proceed.
5 If an injunction is denied, he would start work and they would
6 have discovery requests, what did you talk about today? What
7 did you talk about next week?

8 We request you deny the motion for preliminary
9 injunction and limit discovery to what has happened before he
10 starts because they are otherwise just going on a fishing
11 expedition as to what might happen when he gets there.

12 They have a claim in their complaint for
13 misappropriation of trade secrets. There is nothing we have
14 seen that suggests any trade secret has been misappropriated,
15 but you can't run up a lawsuit prospectively and just say well,
16 you know, we're going to keep checking up on you every month to
17 see what happens. That is totally unfair to Mr. Ober and it is
18 totally unfair to Third Point.

19 It just casts this -- look, this lawsuit was brought
20 because WorldQuant knows that they've got a problem here
21 because they did not include fundamental hedge funds in their
22 definition. There are a lot of fundamental hedge funds who are
23 becoming interested in data, and they know that if they're
24 unsuccessful in stopping Mr. Ober, then there is not going to
25 be anything to stop other fundamental hedge funds from hiring

1 away other employees who are all at-will employees and made no
2 promises to them.

3 And so they are determined to try to make this as
4 costly and as much of a hassle as possible for Mr. Ober. I
5 have more or less been told that. So we need to have -- the
6 court first needs to make a determination about the injunction,
7 but if you agree that the contract is not being violated by a
8 fundamental investor, we would ask the court to be putting some
9 reasonable limitations in place on discovery so that this
10 doesn't become a way to force essentially Mr. Ober to CC
11 opposing counsel on every communication he has on his new job.

12 Thank you.

13 THE COURT: Thank you, Mr. Buchdahl.

14 THE COURT: Mr. Hawks-Ladds.

15 MR. HAWKS-LADDS: Thank you, your Honor.

16 I'll argue about the extraordinary request that Mr.
17 Buchdahl made at the end regarding limiting discovery in the
18 future litigation later. The focus here is on whether or not
19 WorldQuant will be irreparably harmed by Mr. Ober going to
20 Third Point. That is the focus of the court.

21 If the court determines that there will be an
22 irreparable injury because of Mr. Ober's employment by Third
23 Point, then the court should issue an injunction. The
24 injunction may be for the entire one-year period or there is a
25 blue pencil provision in the contract, you can reduce it.

1 It is obvious, having seen all of the evidence --
2 obvious to me, I should say -- that Third Point and Ober
3 considered the fact that the court was going to enter an
4 injunction because it contemplated that as part of his offer.

5 I would like to put up this first page of Exhibit B.

6 (Continued on next page)

1 MR. HAWKS-LADDS: Exhibit B, your Honor, is the offer
2 letter from Third Point to Ober dated November 7, 2016. The
3 first paragraph contemplates a court order enjoining him from
4 going to work there until May 1, 2017. It was part of the
5 deal. They contemplated it. Why? Because they knew that
6 there was a very strong likelihood that WorldQuant would
7 protect its legitimate business interests in the unique
8 knowledge that Mr. Ober possesses.

9 Let's talk about that element of the law for a minute.
10 In order for the Court to find that a restrictive covenant
11 should be enforced under New York law, you must determine that
12 the covenant protects a legitimate business interest of
13 WorldQuant, first and foremost. You have to make a
14 determination, what is the legitimate business interest that is
15 sought to be protected.

16 Under New York law, the protection of confidential
17 information that may inevitably be disclosed to a competitor is
18 uniquely within the province of this Court to protect the
19 employer's interests, uniquely within this Court's power to do
20 that.

21 Why? Well, there's a couple reasons. One, because
22 the parties contracted for that. They contracted for it in
23 2011, when the original employment agreement was executed. And
24 then, in 2016, Mr. Ober signed the amended agreement reducing
25 the restrictive covenant period from two years to one. He

1 didn't have to sign that. He could have said, I'm thinking
2 about going to work for Third Point, I've been talking to them
3 since last March or April, I'm not going to sign this. But he
4 didn't. And he didn't disclose to Third Point the fact that he
5 was negotiating actively with their -- he didn't disclose to
6 WorldQuant that he was negotiating with Third Point.

7 So the Court has the obligation to protect these
8 legitimate business interests in the form of confidential
9 information and competitive activity that can cause harm to his
10 former employer. Mr. DeAddio was on the stand for the better
11 part of today and a little bit of Monday. And incidentally,
12 with attorneys, I understand it's argument, and argument is
13 argument, but for him to say that I didn't have the last
14 question asked on Monday answered as the first question today?
15 That's true. But you heard, your Honor. I asked Mr. DeAddio
16 numerous times how Mr. Ober going to work at Third Point would
17 harm WorldQuant. So whether it's my first question or my 30th
18 question, the question was asked.

19 Let's talk a little bit about the legitimate business
20 interests and how they will not be protected unless you issue a
21 preliminary injunction enjoining Mr. Ober from going to work at
22 Third Point for a period of time. On direct of Mister --
23 attorney Targoff, I asked him, "In order to get the
24 quantitative process going, Mr. Ober is going to use the
25 information he currently possesses, right?" Mr. Targoff said,

1 "Sure." "And that information, as he said in Exhibit F" --
2 that's Ober said in Exhibit F -- "is valuable information,
3 true?" "Sure, it's valuable." This is Mr. Targoff speaking.
4 "Q. And that information is going to be used by Third Point in
5 order to enhance its thesis, as you put it, right?

6 "A. Yes.

7 "Q. And that thesis supports Third Point's fundamental trading
8 strategy, right?

9 "A. Yes.

10 "Q. And the foundation for that information is the data that
11 Mr. Ober, as Third Point's chief data scientist, is going to
12 procure and manage for Third Point, right?"

13 Your Honor, Mr. Targoff gave the best evidence of how
14 Mr. Ober is going to hurt WorldQuant if you do not give
15 WorldQuant the benefit of time -- that's all we're asking
16 for -- the benefit of time, to allow some of his knowledge to
17 become stale. They don't lose it. Third Point doesn't lose
18 anything, by six months, seven months, eight months, a year.
19 They don't lose anything. They still have them. Well, what
20 does WorldQuant gain by that fair, balanced decision? The
21 opportunity for a level playing field. They just lost their
22 co-head of data strategy to a fundamental advisory firm that is
23 starting a quantamental process, brand-new, out of the gate.

24 You heard attorney Targoff say, they hired Sheetal
25 Sharma in March 2016. Sheetal Sharma was brought in to create

1 this quantitative strategy. You heard exhaustive evidence on
2 Exhibit A, which we subpoenaed, about the data-effort
3 discussion. And you heard, from their own witnesses, that this
4 is going to be what Third Point looks like in a matter of time.
5 We don't know how much time. We just know this is their plan.

6 This, your Honor, is their strategy. This is their
7 quantamental strategy. Mr. Loeb's term, "quantitative," and
8 "fundamental." Why? Because, as he said in his investor
9 letter, which I'll put on the screen next, they must go in this
10 direction, in order to compete.

11 Who are they competing with? WorldQuant. There is no
12 doubt, no doubt, that the market requires them to move from a
13 purely fundamental, which means take large positions, sit on
14 it, and don't use the quants, don't use the data, versus
15 enhance your trading position with these ideas, these signals,
16 to improve the thesis, the idea of when to buy, when to sell,
17 when to long, when to short.

18 There is no doubt that they are competing with
19 WorldQuant. Now, the question is, and I heard, I heard your
20 questions as you posed them to us, to counsel: if they're a
21 fundamental trading house and they don't do the electronic
22 trading and we do a lot of electronic trading, how are they
23 competitors? The answer is that once they start trading with
24 the same ideas that we trade with, they are moving the market.
25 Judge, these aren't small companies. These are billion-dollar

1 entities.

2 The third point, moves the market. To use
3 Mr. DeAddio's analogy, once that vein of gold is discovered in
4 1949 in San Francisco, how long is it before you have
5 thousands, thousands of 49ers trading off the same information?
6 Your Honor, the idea is where WorldQuant makes its money, and
7 when Third Point starts trading on the same ideas, because
8 Mr. Ober is giving them the data, the vendors, which out of
9 the -- and you know, your Honor, he knows the [REDACTED]. He's going
10 to be able to recreate it. It's inevitable, to do his job, to
11 create, to create this infrastructure. It is inevitable that
12 he's going to use that data in the next six months to a year to
13 help Third Point move to the quantamental trading strategy.

14 And let's just look at Mr. Loeb's terms, language.

15 Excuse me. May I approach, your Honor?

16 This is Exhibit 12, your Honor, the bottom of page 2.
17 At the bottom of the page, last paragraph, the middle of the
18 paragraph, "While our analyst team still spends the vast
19 majority of its workday analyzing fundamentals, getting overall
20 portfolio positioning right is equally essential to generating
21 returns. The macro considerations discussed above must be
22 interpreted correctly and applied successfully. When we add in
23 the use of data sets and quantamental techniques that are
24 increasingly important to remain competitive while investing in
25 single-name equities, it is clear that our business is rapidly

1 evolving."

2 I respect the fact that Mr. Loeb is making this
3 decision. I think it's brilliant. He's obviously a brilliant
4 man. And his funds do exceedingly well and they move markets.
5 And he has the absolute right to engage in quantamental, which
6 we now know means quantitative and fundamental -- his word --
7 and engage in this strategy. He has the absolute right. And
8 he has the absolute right to hire anybody who he wants to, who
9 is not subject to a restrictive covenant intending to protect
10 the legitimate business interests of WorldQuant, which is, as
11 Mr. DeAddio testified to, its unique process that Mr. Ober
12 knows, helped create, helped create for WorldQuant, its data,
13 its vendors and what the vendors provide that is profitable and
14 what the data that the vendors provide that is not profitable,
15 because firms waste their time looking at that as well.

16 Mr. Loeb has the absolute right to pursue this and to
17 hire qualifying people to do it. But Mr. Ober is subject to a
18 12-month restrictive covenant, a restrictive covenant with one
19 purpose in mind: to level the playing field in fairness.

20 And, your Honor, let's not forget, Mr. Ober is going
21 to get paid. He's not going to be harmed. He's going to
22 receive his salary and the job will be wide open. They're
23 ramping up the staff. You read Exhibit A. They're hiring and
24 hiring. 200 --

25 THE COURT: That wasn't the testimony.

1 MR. HAWKS-LADDS: The argument, Exhibit A -- this is
2 our argument. But in Exhibit A -- it is in Exhibit A, is the
3 ramping up. Do you want me to -- I'll show you.

4 THE COURT: No, no, no. What I'm saying isn't that.
5 The only person who was hired to date. There are very few
6 people who have been hired. And they only know, once they get
7 these people on-board, whether they're going to need the
8 others.

9 MR. HAWKS-LADDS: You're right. Mr. Targoff said
10 they're waiting for Mr. Ober to come on board before they make
11 any other decisions. You are correct. Absolutely.

12 And so as part of argument, what's naturally going to
13 come from that? Ramping up. Ramping up in their quantitative
14 efforts. That's the next step.

15 But let's balance the equities for a minute, as the
16 Court must do. In deciding whether to issue a preliminary
17 injunction under New York law, you must balance the equities
18 between the harm that could befall WorldQuant versus the burden
19 on Ober. And let's remember, there was a lot of argument -- I
20 didn't object to it -- by Mr. Buchdahl about why we're doing
21 this. Why is WorldQuant doing this? The reason is to protect
22 its interests, which it has a right to do. And in balancing
23 those interests, of the losses that will come when all of this
24 process -- the data, the vendors -- are now shifted to this
25 multibillion-dollar entity, versus Mr. Ober getting paid to sit

1 on the sidelines.

2 And by the way, he can work anywhere he wants -- when
3 he's not working for a competitor, he can work anywhere he
4 wants: Bloomberg, where he worked at before, Google, any other
5 place, any financial fund that's not doing quantitative trading
6 on new investment ideas.

7 You balance those equities, and the legitimacy --
8 we're not asking for two years, three years. You heard
9 Mr. DeAddio say that they're using these [REDACTED] data sets, or
10 vendors, and it will take years to erode, years to become
11 stale. We didn't ask -- not only that we're not asking -- we
12 reduced it from two years to one year, in fairness to the
13 employees.

14 When you balance those equities, Judge, between
15 Mr. Ober getting paid to sit on the sidelines, what labor
16 lawyers call tend the garden, on garden leave, versus the harm
17 that is going to occur when you balance those equities, Judge,
18 there's only one decision, we submit. And that is, in
19 fairness, to level the playing field, let him sit and wait.
20 Let him get paid. Go to Hawaii, do whatever you want to do.
21 Give WorldQuant the benefit of its argument. Give them the
22 benefit of the restrictive covenant that is fair and not
23 overbroad, that's limited.

24 That's what this case is about.

25 Now, let me address attorney Buchdahl's extraordinary

1 requests that you knew limit discovery depending on what
2 happens, either way. It's a preliminary injunction. As you
3 know, your Honor, preliminary is not permanent. So a lot can
4 happen between now and whatever happens next. If you issue the
5 injunction, we're going to have a hearing. If you don't issue
6 the injunction, we're going to have a hearing. But limiting
7 discovery to put a veil of secrecy on what Mr. Ober is doing?
8 When that's exactly what we're trying to prevent, is this man
9 coming in and taking our trade secrets and using them against
10 us? Your Honor, that would be, that would be extraordinary, to
11 say the least. And I understand Mr. Buchdahl's attempt to get
12 you to consider it, but whether you issue the preliminary
13 injunction or not, discovery should be handled in the normal
14 course, with interrogatories, depositions being handled in the
15 normal course and no edicts being issued before we even know
16 what's going to happen.

17 So in conclusion, we're asking merely that the Court
18 balance the equities, look at the fairness of the situation, on
19 both Mr. Ober and WorldQuant, and issue an injunction. We
20 would ask, as the contract permits, for one year and, as they
21 contemplated, at least through May 1, 2017.

22 Thank you, your Honor.

23 THE COURT: Thank you. We're going to take a --
24 Mr. Buchdahl?

25 MR. BUCHDAHL: If I could just have three minutes in

1 brief rebuttal, but I don't have to --

2 THE COURT: No, go ahead, go ahead.

3 MR. BUCHDAHL: WorldQuant wants you to look at
4 Mr. Loeb's statements. And we would like you to look at them
5 in context. Exhibit 12, the investor letter, even the part
6 that opposing counsel read refers to investing in single-name
7 entities. WorldQuant said they don't have a single investment
8 that's more than 1 percent of their business. And if you look
9 at Exhibit 16, the Forbes article that they selectively quoted
10 from in their moving papers, the last page of Exhibit 13 has a
11 quote from Mr. Loeb, where he says flat out, in talking about
12 possibly hiring people, on page 3 of the article, Plaintiff's
13 Exhibit 16, it's an article about how Mr. Loeb was worried
14 about the election having unexpected results, and he was
15 worried that the election was going to be a little bit like
16 Brexit, where something different happened than what everybody
17 thought was going to happen.

18 But what Mr. Loeb says about the use of data couldn't
19 be more clear. He says, on second line of page 3 of the Forbes
20 article, "This isn't to support a quant strategy." Mr. Loeb
21 has investors. They have expectations about what he's going to
22 do. For you to find otherwise, you would have to believe that
23 Mr. Loeb is lying to the public, that Mr. Targoff came in here
24 and lied from the stand, and that Mr. Ober was completely
25 deceived as to what the nature of his responsibilities are

1 going to be, because Third Point could not be more clear that
2 they are not going to do algorithmic trading, quantitative
3 trading, the things in the contract that limit the definition
4 of "competitor."

5 And finally, I understand that WorldQuant is worried
6 about what they believe is proprietary. But Mr. Ober's e-mail
7 to Third Point should put them at ease. He did not say, here
8 are our most valuable vendors. He did not distinguish between
9 vendors that they rejected or that they accepted. He simply
10 said, here are a lot of vendors and a lot of different areas
11 that might be useful to Third Point.

12 If we didn't see that, if we didn't see that document,
13 I could see them being very concerned about what he was saying
14 to them. But he made it very clear: general industry
15 information available on the Internet.

16 Thank you, your Honor.

17 THE COURT: Thank you.

18 (Recess)

19 THE COURT: As we know, a party seeking a preliminary
20 injunction must show irreparable harm and either likelihood of
21 success on the merits or sufficiently serious questions going
22 to the merits to make them a fair ground for litigation, and a
23 balance of hardships tipping decidedly toward the party
24 requesting the preliminary relief.

25 It seems to me that there are a couple of things I

1 need to put out here. First of all, in terms of whether or not
2 Mr. Ober is violating the restrictive covenant, looking at
3 Exhibit F, the second page, I felt that there was a moving
4 target here during this hearing about what was supposed to be
5 included. And it may not be written here, but that's what we
6 meant. I think that that is a little bit too ambiguous and
7 imprecise for anybody to be able to say he clearly violated the
8 restrictive covenant. Let's see. "For purposes hereof,
9 'quantitative trading or investment strategies' shall mean
10 strategies or techniques which make trading and/or investing
11 decisions primarily based upon computer-driven processes and
12 which are commonly categorized, known, and/or referred to in
13 the financial services industry as, among other things,
14 'statistical arbitrage,' 'systematic trading,' 'algorithmic
15 trading,' 'algo trading,' 'computer-driven trading,' 'technical
16 trading,' 'artificial intelligence-based trading,' 'automated
17 trading,' 'black box trading,' and/or 'high-frequency
18 trading.'" All of those seemed to be much narrower than what
19 the plaintiff is suggesting now, that any time, at any point
20 you use any analytical or quantitative information to
21 eventually arrive at what you would be trading, you are
22 violating this. It is clearly not a violation, in terms of the
23 way Third Point works. If they include some information that
24 they obtained quantitatively as one of the factors that they
25 consider in whether or not to invest in a single company, that

1 is, I think, not competitive with what WorldQuant is doing.

2 It is clear that the list that Mr. Ober gave to Third
3 Point was focused on what, based on what he knew or how little
4 he knew about Third Point, he thought would be useful to them.
5 The vendors, the types of things that they have, that's all out
6 in the public. And as we've heard on cross-examination of
7 Mr. DeAddio, the list that was given includes the losers for
8 WorldQuant as well as potential or possible winners.

9 And it seems to me that the focus has been on what
10 will harm WorldQuant, as opposed to what it is that Third Point
11 has been doing and is trying to enhance, not switch over to be
12 in direct competition with WorldQuant. The fact that somebody
13 might use quantitative analysis to get additional information
14 that might lead to an idea is too nebulous to expect that it's
15 covered by what's written in this restrictive covenant.

16 So that I do not think that the plaintiff has met its
17 burden here. I do believe that they are different companies.
18 I asked if there was any company that's gone into quantamental,
19 and I got an answer that there isn't any. It is speculation on
20 the part of the plaintiff that Third Point is going to use
21 information that is helpful to it in how it functions to get
22 ahead. Again, I am not convinced that Third Point is getting
23 into competition with WorldQuant, and it is clear to me, as of
24 now, they are not in competition with WorldQuant. Therefore, I
25 am going to deny the preliminary injunction.

1 In terms of where we go from here, of course it
2 depends on what the plaintiff wants to do, but do you intend to
3 appeal this?

4 MR. HAWKS-LADDS: I need to confer with my client.

5 THE COURT: OK. Why don't you do that, because if
6 you're going to appeal it, then we don't need to go and plan
7 out how the rest of the case goes. So I'll be back in five
8 minutes.

9 (Recess)

10 THE COURT: I understand that a decision about where
11 you wish to proceed from this point cannot, in such a rushed
12 period of time, be made. So you will make that determination
13 and let the Court know what you're doing. If you're going to
14 appeal, then that takes it out of my hands for quite a while.
15 If you're not going to appeal, then we have to see what is
16 going forward in this case. All right?

17 MR. HAWKS-LADDS: Yes, your Honor.

18 THE COURT: OK. Anything else we need to do today?

19 MR. BUCHDAHL: Your Honor, it might be appropriate to
20 schedule a status conference for the first week in January, in
21 the event that we need it, just so we can just all coordinate
22 our calendars. If you want -- it's just a suggestion, if you
23 would like to do that.

24 THE COURT: It depends. If they appeal, I don't have
25 any jurisdiction to go forward. So I'm hoping that I can find

1 out. But I'm not rushing the plaintiffs. Obviously, based on
2 my ruling, I'm not preventing him from starting work. So they
3 have to decide what they want to do. So let's just leave it at
4 that.

5 I would appreciate, Mr. Hawks-Ladds, if you let the
6 defendant and the Court know as soon as you can what's going to
7 happen.

8 MR. HAWKS-LADDS: We will.

9 THE COURT: All right?

10 MR. HAWKS-LADDS: Yes, we will, your Honor.

11 THE COURT: OK. This matter is adjourned.

12 MR. HAWKS-LADDS: Thank you.

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